

City of Lynchburg, Virginia



View of Downtown Lynchburg from Point of Honor



VIRGINIA

**Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2009**

**CITY OF
LYNCHBURG, VIRGINIA**

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2009

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

**CITY OF LYNCHBURG,
VIRGINIA**

Prepared by:
Financial Services

CITY OF LYNCHBURG, VIRGINIA

TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
Letter of Transmittal	i - vi
Directory of Principal Officials.....	vii
Organizational Chart.....	viii
Certificate of Achievement for Excellence in Financial Reporting.....	ix

FINANCIAL SECTION

Independent Auditor's Report.....	1-2
--	------------

Management's Discussion and Analysis	3a-3p
---	--------------

Basic Financial Statements

Government-wide Financial Statements:	
Exhibit 1 Statement of Net Assets	5
Exhibit 2 Statement of Activities	6
Fund Financial Statements:	
Exhibit 3 Balance Sheet – Governmental Funds.....	7
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	8
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	9
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	10
Exhibit 7 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	11
Exhibit 8 Statement of Net Assets – Proprietary Funds.....	12
Exhibit 9 Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	13
Exhibit 10 Statement of Cash Flows – Proprietary Funds	14-15
Exhibit 11 Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	16
Notes to Financial Statements	17-52

Required Supplemental Information

Exhibit 12 Schedule of Funding Progress for Defined Benefit Pension Plan.....	54
Exhibit 13 Schedule of Funding Progress for Other Post Employment Benefits.....	55

Other Supplemental Information

Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	57
Exhibit A-1 Combining Balance Sheet – Nonmajor Governmental Funds.....	58
Exhibit A-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	59

TABLE OF CONTENTS
(Continued)

FINANCIAL SECTION
(Continued)

Nonmajor Special Revenue Funds	
Exhibit B-1	Combining Balance Sheet 60-61
Exhibit B-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 62-63
Exhibit B-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – City/Federal/State Aid Fund 64
Exhibit B-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Development Block Grant Fund 65
Exhibit B-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Forfeited Assets Fund 66
Exhibit B-6	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Comprehensive Services Act Fund 67
Exhibit B-7	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – HOME Investment Trust Fund 68
Exhibit B-8	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Detention Home Fund 69
Exhibit B-9	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Technology Services Fund 70
Exhibit B-10	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Baseball Stadium Fund 71
Nonmajor Capital Projects Fund	
Exhibit C-1	Combining Balance Sheet – School Capital Projects 72
Exhibit C-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – School Capital Projects 73
Exhibit C-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – School Capital Projects 74
Exhibit C-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – City Capital Projects 75
Agency Funds	
Exhibit D-1	Combining Statement of Fiduciary Assets and Liabilities 76
Exhibit D-2	Combining Statement of Changes in Fiduciary Assets and Liabilities 77
Discretely Presented Component Unit – Lynchburg City Schools 78	
Exhibit E-1	Combining Balance Sheet 79
Exhibit E-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 80
Exhibit E-3	Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual 81
Exhibit E-4	Agency Fund 82
Discretely Presented Component Units – Other	
Exhibit F-1	Combining Statement of Net Assets 83
Exhibit F-2	Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets 84
Exhibit F-3	Combining Statement of Cash Flows 85

TABLE OF CONTENTS
(Continued)

FINANCIAL SECTION
(Continued)

Supplemental Schedules

Schedule 1	Schedule of Expenditures of Federal Awards.....	87-88
Notes to Schedule of Expenditures of Federal Awards.....		89-90
Schedule 2	Schedule of Passenger Facility Charges.....	91
Schedule 3	Schedule of Expenditures of Passenger Facility Charges	92

STATISTICAL SECTION

Statistical Section Table of Contents		94
Miscellaneous Statistical Data.....		95-99
Table 1	Net Assets by Component, Last Eight Fiscal Years	100
Table 2	Changes in Net Assets, Last Eight Fiscal Years	101-103
Table 3	Program Revenues by Function/Program, Last Eight Fiscal Years	104
Table 4	Fund Balances, Governmental Funds, Last Ten Fiscal Years	105
Table 5	Changes in Fund Balances of Governmental Funds, Last Ten Fiscal Years	106-107
Table 6	Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund.....	108
Table 7	Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances – School Fund	109
Table 8	Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets – Solid Waste Management Fund.....	110
Table 9	Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets – Water Fund.....	111
Table 10	Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets – Sewer Fund.....	112
Table 11	Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets – Airport Fund.....	113
Table 12	Tax Revenues by Source, Governmental Funds, Last Nine Fiscal Years	114
Table 13	Assessed Value and Estimated Actual Value of Taxable Real Property, Last Ten Fiscal Years.....	115
Table 14	Assessed Value of All Taxable Property, Last Ten Fiscal Years	116
Table 15	Principal Property Taxpayers, Current Year and Nine Years Ago	117
Table 16	Property Tax Levies and Collections, Last Ten Fiscal Years.....	118
Table 17	Property Tax Rates, Last Ten Fiscal Years	119
Table 18	Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	120
Table 19	Ratios of Net General Bonded Debt Outstanding, Last Ten Fiscal Years.....	121
Table 20	Legal Debt Margin Information, Last Ten Fiscal Years	122
Table 21	Pledged Revenue Coverage, Last Nine Fiscal Years	123
Table 22	Demographic and Economic Statistics, Last Ten Calendar Years.....	124
Table 23	Principal Employers, Current Year and Nine Years Ago.....	125
Table 24	Full-Time Equivalent City Government Employees by Function/Program Last Ten Fiscal Years.....	126
Table 25	Operating Indicators by Function/Program, Last Ten Fiscal Years.....	127
Table 26	Capital Assets Statistics by Function/Program – Last Ten Fiscal Years.....	128
Table 27	Lynchburg City Schools – Student Enrollment, Employees, and Schools by Fiscal Year, Last Ten Years.....	129

TABLE OF CONTENTS
(Continued)

COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	131-132
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	133-134
Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Controls over Compliance in Accordance with the Passenger Facility Charge Program Audit Guide	135-136
Summary of Compliance Matters	137
Schedule of Findings and Questioned Costs.....	138-141

INTRODUCTORY SECTION



The City of Lynchburg, Virginia

CITY HALL, 900 CHURCH STREET, LYNCHBURG, VIRGINIA 24504
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OFFICE OF THE
CITY MANAGER

November 13, 2009

The Honorable Mayor and Members of the City Council
City of Lynchburg, Virginia

The Comprehensive Annual Financial Report (CAFR) for the City of Lynchburg, Virginia, (City) for the year ended June 30, 2009, is hereby submitted in accordance with the *City Code* and state statutes. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. With reasonable assurance, based upon a comprehensive set of internal controls, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows, as applicable, of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

State law and *City Code* require that the financial statements of the City be audited by an independent certified public accountant. Brown, Edwards & Company, LLP has performed an audit of the Comprehensive Annual Financial Report (CAFR). The independent auditor's report, including opinions on the basic financial statements of the government-wide and fund financial statements, is contained in the Financial Section of this Report. Brown, Edwards & Company, LLP also audited the component unit financial statements of the Lynchburg City Schools and the Greater Lynchburg Transit Company.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report. The information presented in the MD&A provides a narrative introduction, overview, and analysis of the basic financial statements and should be considered in conjunction with additional information provided in this Letter of Transmittal.

The financial reporting entity includes all funds of the primary government (i.e., the City of Lynchburg), as well as its component units. The City provides a full range of municipal services including general administration, judicial functions, police and fire protection, parks and recreation, libraries, museums, health, juvenile and social services, maintenance of streets and highways, economic development, and community development. The City also owns and operates water and sewer systems and a regional airport. The City's municipal landfill became part of the Region 2000 Services Authority in July 2008. The City's discretely presented component units, Lynchburg City Schools (Schools), Business Development Centre, Inc., and Greater Lynchburg Transit Company (GLTC), provide public education, various small business services, and public transportation, respectively, to the citizens of the City. Each of these component units' governing bodies is appointed by City Council. Excluded are the financial statements of the Lynchburg Redevelopment and Housing Authority and the Economic Development Authority of the City of Lynchburg. These organizations are associated with the City, but are legally separate entities. Also, excluded are the financial statements of the Blue Ridge Regional Jail

Authority, the Central Virginia Community Services Board, and the Region 2000 Services Authority which are jointly governed organizations.

City Council has approved Debt Management, Fund Balance, Budget, and Investment policies to guide fiscal decision-making and to ensure continued strong financial health. These policies were reaffirmed by City Council in December 2008. During the fiscal year adherence to these financial policies helped the City manage the investment portfolio in a challenging market, close the year with a stronger fund balance than projected and guided the sizing of the general obligation bond issue that closed in August 2009.

As required by law, each year, at least 45 days prior to June 30, the City Manager submits to City Council a recommended budget for the fiscal year beginning July 1. After extensive budget preparation and a Council review process that includes a public hearing to receive citizen input, City Council adopts the annual budget. The annual budget includes all funds represented in the City's Comprehensive Annual Financial Report. The budget must be approved no later than the day the fiscal year begins.

The City of Lynchburg was incorporated in 1805 by the Virginia General Assembly and became an independent city in 1852. Encompassing 50 square miles, Lynchburg is located adjacent to Amherst, Bedford, and Campbell Counties, on the eastern edge of the beautiful Blue Ridge Mountains, and is within 54 miles of the geographic center of the Commonwealth of Virginia. With an estimated population of 70,734, Lynchburg is an important commercial center for the four-county and two city region, known as Region 2000. The City benefits from an economy that remains diversified among the manufacturing, health services, technology, and trade sectors, as well as being the home to 5 colleges and universities.

The City of Lynchburg has been organized under the Council-Manager form of government since 1920. City Council is the governing body that makes all policy decisions for the proper administration of the City. City Council is elected by the voters and is comprised of seven members, who elect a Mayor and Vice-Mayor from their members for a two-year term. Three City Council members are elected at-large and four are elected from wards. Terms are for four years and staggered so a portion of Council is elected every two years. The City Council appoints a City Manager to act as administrative head of the City. The City Manager serves at the pleasure of City Council; carries out its policies; directs, oversees, and is responsible for City operations; and, has the power of appointment and removal of the directors of all departments and employees of the City.

Local Economic Condition and Outlook

While maintaining its role as an employment and commercial center for a four-county metropolitan area with a population of approximately 243,700, Lynchburg has dealt effectively with many of the challenges that face economies historically focused on manufacturing. The national recession did not become evident in the City until November 2008 when Sales Tax Revenues fell to thirteen percent below budget projections and other consumption related revenues saw slight declines. Despite the onset of the national recession, in Lynchburg the health services, educational and nuclear technology sectors expanded.

Areva NP continued with its plan to hire 500 new engineers in Lynchburg. This workforce initiative remains despite having put a hold on its \$25 million building project to provide the office space needed for expanded operations due to uncertainty about how the economy could affect electric utilities and the nuclear power industry. Design continues for the first new U.S. commercial nuclear reactor in a generation as an energy project that would use Areva's U.S. Evolutionary Power Reactor. Furthermore, the Babcock & Wilcox Company, a subsidiary of McDermott, headquartered in Lynchburg, announced the development of two new initiatives, design and production of a scalable, modular advanced light water reactor system and the planned manufacturing of radioisotopes for molecular imaging and nuclear medicine procedures. Both of these initiatives will bring new investment and employment to the region.

In the health services sector, Centra Health, which owns and operates both Lynchburg General and Virginia Baptist Hospitals in Lynchburg, completed its first year in the 75,000 square foot Alan B. Pearson Regional Cancer Center and the \$69 million five-story, 108-bed tower addition to Lynchburg General. Centra continued to expand its operations through the acquisition of private medical practices, and the expansion of services to a broader geographic region including Danville, Farmville, and Halifax County.

Liberty University (Liberty) continued its rapid expansion in enrollment with a 24% increase for the academic year. With over 11,000 students on campus, 3,000 faculty and staff, and over 33,000 students enrolled in its Distance Learning Program, Liberty's enrollment increased to over 45,000 students. Liberty University expanded facilities in FY 2009 including the Thomas Indoor Soccer Center and the Liberty Mountain Snowflex Center. The Snowflex facility, constructed with a synthetic material designed to simulate the surface of snow on a ski slope, is the first in the United States. Also completed on Liberty's campus in 2009 was a new 25,000 square foot Barnes and Noble Bookstore.

Major Initiatives and Accomplishments

Downtown and Riverfront Development/Redevelopment

The City continued its eighth year of implementing elements of the Downtown/Riverfront Master Plan adopted in March 2001 and updated in September 2006. The goal of the infrastructure/public space improvements is to attract more activity and private development into the downtown area thereby increasing the City's tax base.

Private development included new and expanded restaurants, stores, and offices. A one million dollar renovation project to create new luxury loft apartments and retail space was completed by a local businessman. Additionally, the downtown area experienced at least three other loft projects under construction in the last year and the opening of several new restaurants.

Future downtown revitalization activities include completion of the renovation of the north side of Jefferson Street, a shift to improvements on the south side, and development of the lower Bluffwalk pedestrian project. The renovation of the north end of Jefferson Street includes a multi-functional stage, additional parking, and environmentally conscious storm water infrastructure. The lower Bluffwalk project involves a partnership with private property owners to create a pedestrian walkway with pocket parks and plaza areas supporting further commercial, office, and residential development. A highlight of the revitalization will be the 34-unit James River Condominium project.

Education

For 2009, the State of Virginia Department of Education notified Lynchburg City Schools that fifteen of the sixteen public schools earned full accreditation; one school received accreditation with warning. City Schools also met 100% of the objectives of Adequate Yearly Progress in nine of the sixteen schools for the FY 2009 school year. Five of the schools met 93% of the objectives and the other two met 90% of the objectives.

Infrastructure

Construction continued on the new Juvenile and Domestic Relations Court House and Sandusky Middle School. Both of these buildings are being built using Leadership in Energy and Environmental Design (LEED) certification standards. Funding for the Juvenile and Domestic Relations Court House consists of cash from the sale of the City's Landfill to the Regional Authority and general obligation bonds. The City closed on bonds in August 2009 to complete financing for these two projects. An application was made for Literary Loan funds to assist with financing for Sandusky Middle School and the project was placed on a waiting list. With Literary Loan funding subsequently eliminated by the

State, financing for the school will be completed through the Federal American Recovery and Reinvestment Act Qualified School Construction Bond Program. Funds for FY 2010 debt service payments were placed in a reserve in the FY 2008 Adopted Budget in anticipation of this borrowing.

Information Technology

In FY 2009, the City continued its commitment to utilize information technologies to improve the performance of local government and the delivery of services to citizens. For the fifth consecutive year, the City was named a national leader by the Center for Digital Government for its achievements in utilizing information technologies. For the second consecutive year, Lynchburg placed first in the nation for cities in the population category of 30,000 – 74,000 for its use of information technologies to improve service delivery to citizens and to advance the concept of digital government.

Library

FY 2009 was the busiest in the Lynchburg Public Library's 43-year history. Over 660,000 items were circulated and 67,000 public computer user sessions represented an increase of 7,000 sessions from FY 2008. This increase was primarily due to the library serving as a key resource for job-seekers.

The Library supported Mayor Joan Foster in two children's reading initiatives, both of which drew statewide recognition. *The Mayor's Amazing Book Race* asked citizens to donate books for Kindergarten - 5th grade readers; 1,800 books were collected during this initiative. The Mayor distributed the books to children as she visited classes and groups across the community. Mayor Foster also initiated *The Mayor's Reading Club*. Assisted by library staff and volunteers, the group took stories, crafts, refreshments, and free books to three inner-city apartment complexes on several spring Saturdays. The program was recognized by the Virginia Public Library Directors Association as a "2009 Outstanding Children's Program." The Library followed up with a summer outreach program that took library staff and I-VAN, the Library's Information and Imagination Van, to six apartment complexes weekly with books to check out and free activity sheets; 649 children and adults were served through this literary outreach effort.

Museum

The Lynchburg Museum System hosted 12,898 people in FY 2009 at the Museum, Point of Honor, and through community outreach programs. During the year, a number of significant artifacts were donated to the Museum including a flight suit worn by and photographs of Lynchburg-native Leland Melvin, an astronaut aboard a 2008 Atlantis Space Shuttle mission to the International Space Station. The Museum also launched a digital photographic website that allows public access to over 6,000 historic images of Lynchburg scenes, events, and people.

Utilities

In 2009, the two water treatment plants operated by the Utilities Department received awards from the Virginia Department of Health's Office of Drinking Water. The Virginia Excellence in Granular Media Water Treatment Performance bronze award was given to the Abert Water Treatment Plant and the College Hill Water Treatment Plant received a silver award.

The Virginia Excellence in Granular Media Water Treatment Plant Performance Award was presented to only a little more than half of the water plants in Virginia that use granular media for drinking water production. Levels of excellence are based on performance goals established in Virginia's Optimization Program.

The intent of Virginia's Excellence in Waterworks Operations Awards is to recognize owners of individual and/or multiple waterworks that have met all drinking water standards, treatment technique

requirements, compliance orders, and monitoring and reporting requirements, and have demonstrated excellent practices and innovative ideas in the provision of safe drinking water to the public.

Community Involvement

Beginning in the spring of 2007 the City embarked on an initiative to bring the community together to discuss race and racism. Using a “study circle” model, participants were assigned to diverse groups to discuss public concerns in a constructive, respectful conversation. With the help of trained facilitators, more than 600 individuals with a connection to Lynchburg through residency, work, school attendance, or leisure activity had a safe and supportive environment in which to discuss the issues of race and racism. Although the discussions themselves created some individual change, a more strategic transition from talk to action has been a core component of this project. By the end of 2008, over 1,300 people had participated in the Community Dialogue in Race and Racism. As the dialogue has moved into action, community members proved that through this open and candid dialogue lasting relationships were built and that these relationships have begun to foster positive change in the Lynchburg community.

Action Groups have been formed comprising of members from previous study circles who have committed to working together to address racial equity in eight community areas. These eight areas emerged from the action ideas that were brainstormed during the 2008 study circles: Citizen’s Advocacy and Strengthening Community, Faith-Based, Communications and Media, Police, Diversity Events, Ward Forum, Education Youth and Family Support, and Workforce Development.

The Community Dialogue received recognition from Everyday Democracy as one of eight communities demonstrating success in Creating Racial Equity Initiatives.

Prospects for the Future

The City of Lynchburg is guided by a vision that addresses the challenges of a central city and builds on the strengths inherent in the City and the region. That vision supports community character, economic prosperity, good government, multicultural diversity and sees the City as a compelling destination for visitors.

The biggest challenge facing the City is the maintenance of its extensive infrastructure of roads, sewers, water lines, and buildings. Many facilities have reached or are reaching the end of their projected lives and their replacement or upgrade present enormous costs. Extensive repairs are needed to several schools, many roads and bridges need to be upgraded, and new federal and state mandates may require significant enhancements to water and wastewater treatment facilities. With the economic downturn, the City is experiencing a loss in revenues which limits the amount of funding available for capital improvements.

Considerable capital investment needs to occur in several priority areas. First, construction continues on the new Juvenile and Domestic Relations Court House and Sandusky Middle School. Heritage High School and several elementary schools also require improvements. Second, continued investment in the downtown/riverfront area and work on implementing both the Midtown and Fifth Street plans require ongoing funding. It has already been demonstrated that public investment encourages significant private investment, strengthening the City’s tax base. Downtown redevelopment is reaching the critical mass of residential, business, and institutional activities necessary for it to become self-sustaining for the long term. The same success needs to be realized in other areas of the City needing revitalization. Finally, future capital investment is required in the combined sewer overflow (CSO) program and in the maintenance of the City’s streets, bridges, and sidewalks.

Economic development activities continue to focus on promoting the City as an excellent place to live and work within the region. Marketing efforts will continue to target prospects for both downtown and the City’s public and private industrial parks. Recognizing that economic development anywhere in the region provides benefits to Lynchburg, the City will support marketing efforts in neighboring

jurisdictions as well. Tourism will continue to play an important role with the Lynchburg Regional Chamber of Commerce holding the contract for the operation of the Lynchburg Regional Convention and Visitors Bureau. The City will continue to accommodate appropriate commercial development to serve the region, further enhancing the City as a shopping and dining destination. The Lynchburg Regional Airport will remain an important transportation link for the area.

On the State level, the City will remain active in the Virginia First Cities Coalition, advocating for a statewide urban policy, adequate funding for education, and other shared responsibilities. As instruments of the State, the success of cities depends on the structure, environment and support provided by state government. With State budget reductions projected to continue for FY 2010 and FY 2011, Virginia's older core cities will take the burden of the reductions causing further challenges to provide mandated services. Multiple studies have demonstrated the relative disadvantage under which cities in Virginia operate. The long-term viability of the Commonwealth's older core cities depends on the recognition of their importance to its regions and a fuller sharing of the costs and benefits of providing services to those communities.

While the challenges are many for the City, so are the opportunities for success. The City has undertaken a very broad "Sustainable City" initiative to ensure policies and resources are in place to support the future viability of Lynchburg. This initiative and "new way of thinking and acting" are continuing to develop. The Sustainable City initiative focuses on thirteen key elements critical to the City's future. These elements are: Arts and Culture, Citizen Engagement and Social Capital, Economic Development, Lifelong Learning, Healthy and Active Living, Infrastructure, Natural and Environmental Resources, Neighborhoods, Safe Community, Land Use, and Transportation. The City will continue to take the steps necessary to become the progressive community outlined in Council's Vision.

Certificates of Achievement for Excellence

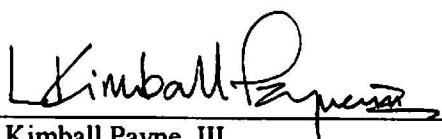
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lynchburg for its CAFR for the fiscal year ended June 30, 2008. This is the City's twelfth consecutive year in receiving this award.


GFOA also awarded the Distinguished Budget Presentation Award to the City of Lynchburg for its FY 2008 Adopted Budget. This is the City's fourth consecutive year in receiving this award.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the leadership of Rhonda Allbeck, Assistant Director of Financial Services, and the dedicated service of the staff of the Financial Services Department. Each member of the department has our appreciation for the contributions made by them in the preparation of this Report. Appreciation is expressed also to City Council for its interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,


L. Kimball Payne, III
City Manager


Donna S. Witt
Director of Financial Services

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CITY OF LYNCHBURG, VIRGINIA
COUNCIL-MANAGER FORM OF GOVERNMENT

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2009

CITY COUNCIL

Joan F. Foster, Mayor

Bertram F. Dodson, Jr., Vice-Mayor
Dr. Michael A. Gillette
Rev. Ceasor T. Johnson

Dr. T. Scott Garrett
Jeff S. Helgeson
Edgar J. T. Perrow, Jr.

CITY OFFICIALS

L. Kimball Payne, III
Bonnie Svrcek
Walter Erwin
Donna Witt

City Manager
Deputy City Manager
City Attorney
Director of Financial Services

SCHOOL BOARD

Julie P. Doyle, Chairman

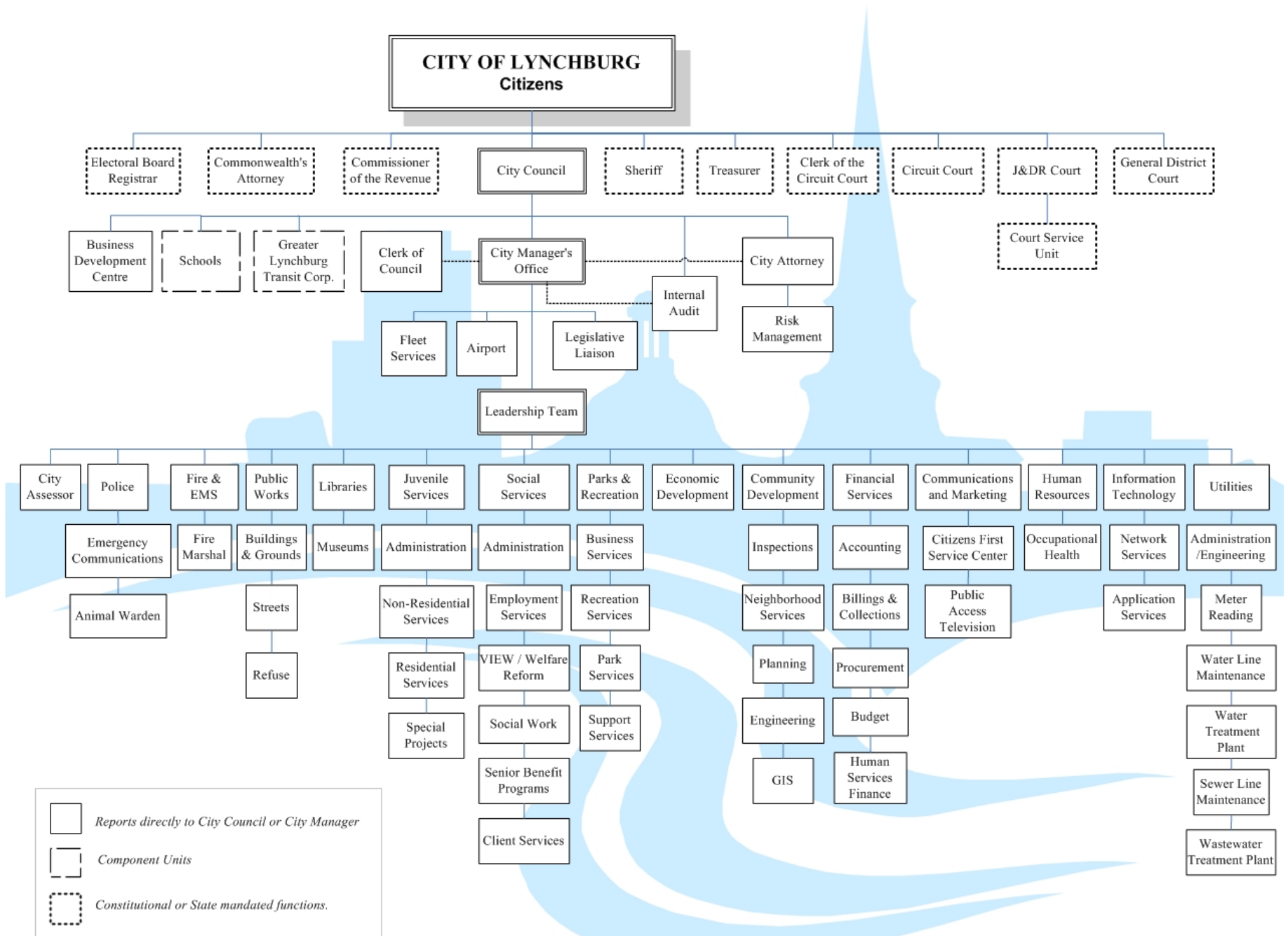
Thomas H. Webb, Vice Chairman
Mary Ann H. Barker
Leslie “Les” J. Faircloth
Dr. Darin L. Gerdes

Rev. Keith R. Anderson
Albert L. Billingsly
Regina T. Dolan-Sewell
Trenay L. Tweedy

SCHOOL BOARD OFFICIALS

Dr. Paul McKendrick
Dr. Roger Roberts
Dr. Stephen Smith
Beverly Padgett

Superintendent of Schools
Deputy Superintendent
Assistant Superintendent
Chief Financial Officer



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lynchburg
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council and the City Manager
City of Lynchburg, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit referred to as the Business Development Centre, Inc., whose statements reflect total assets of \$1,098,519 as of June 30, 2009, and total revenues of \$366,156 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us; and our opinion, insofar as it relates to the amounts included for the Business Development Centre, Inc., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information on pages 3a to 3p and pages 54 and 55, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund statements, non-major and City Capital Projects funds budgetary comparison statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. In addition, the accompanying schedules of passenger facility charges and of expenditures of passenger facility charges are presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements, the non-major fund budgetary comparison statements, the schedule of expenditures of federal awards, and the schedules of passenger facility charges and of expenditures of passenger facility charges have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 13, 2009

CITY OF LYNCHBURG, VIRGINIA

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) of the City of Lynchburg's (City) financial statements offers readers a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2009. The Lynchburg City Schools (Schools) component unit is included in this narrative also. The information presented here should be considered in conjunction with additional information provided in the Letter of Transmittal.

FINANCIAL HIGHLIGHTS

- The total assets of the City exceeded its total liabilities at June 30, 2009 by \$411.4 million (net assets). Unrestricted net assets of \$83.4 million were available to meet future obligations. This represented \$65.0 million for governmental activities, which included the General Fund, and \$18.4 million for business-type activities, which included the Enterprise Funds (Water, Sewer, and Airport). The Solid Waste Management Fund was closed in FY 2009.
- The General Fund's undesignated fund balance of \$24.5 million was 15.8% of total General Fund revenues, which were \$155.4 million. This was \$9.0 million more than the City Council adopted Undesignated Fund Balance Policy requirement of 10%, or \$15.5 million.
- In comparison with the prior fiscal year, the City's total net assets increased 2.6%, or \$10.4 million, from FY 2008. Net assets of governmental activities increased 8.9%, or \$19.6 million, from FY 2008; and, net assets of business-type activities decreased 5%, or \$9.2 million. The Schools' total net assets decreased 29%, or \$0.7 million, from FY 2008.
- The City's total revenues of \$216.3 million decreased 10.4%, or \$25.0 million, and total expenses of \$205.9 million decreased 0.5%, or \$1.0 million, from FY 2008. General revenues and transfers of \$123.0 million were \$10.4 million more than the expenses net of program revenues of \$112.6 million.
- In accordance with Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, the City recognized a net OPEB liability of \$2.5 million and the School recognized a net OPEB liability of \$0.9 million in FY 2009. See Note 13 for further information.
- During FY 2009, the City closed the Solid Waste Management Fund and moved the refuse and recycling operations into the Public Works division of the General Fund. The City's landfill was sold to the Region 2000 Services Authority on July 1, 2008. See Note 10 for further information.
- For the current fiscal year, the City's total liabilities of \$335.4 million increased 6.5% or \$20.6 million from FY 2008.
- Total new debt of \$29.2 million was issued. It consisted of \$6.2 million for governmental activities and \$23 million for business-type activities. In addition, \$2.7 million was an outstanding debt transfer from business-type activities to governmental activities for general obligation bonds previously allocated to the Solid Waste Management Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the City of Lynchburg's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements including budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report the City's net assets and changes in net assets. One can think of the City's net assets – the difference between assets and liabilities – as a way to measure the City's financial health, or financial position. Over time, increases or decreases in net assets help determine whether the City's financial position is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, the City is divided into the following:

Governmental activities - The City's basic services are reported here: general government, police, fire, public works, juvenile and social services, parks and recreation, community development, and fleet internal services. Property taxes, other taxes, and intergovernmental revenue are the primary sources that finance these activities.

Business-type activities - The financial information for the water, sewer, solid waste management, and airport activities are reported here. The City charges a fee to customers to fund all or most of the cost of services provided by these activities.

Component units - The City also includes three separate legal entities in its Report – the Lynchburg City Schools, the Greater Lynchburg Transit Company, and the Business Development Centre, Inc. While these represent legally separate entities, their operational or financial relationship with the City makes the City financially accountable.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate fiscal accountability. As described in the following information, the City uses governmental, proprietary, and fiduciary fund financial statements to provide detailed information regarding its most significant funds.

Governmental Funds

Governmental funds report most of the City's basic services. The funds focus on cash and other financial resources that can be readily converted to cash flows in and out, and balances left at year-end that are available for future spending. Consequently, the governmental funds statements provide a near or short-term view of the City's finances that helps the reader determine whether there are greater or fewer financial resources available in the near future to finance City programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

Proprietary Funds

Proprietary funds report the same functions that are presented as business-type activities in the government-wide financial statements. Proprietary funds are classified as enterprise or internal service funds. An enterprise fund reports any activity for which fees are charged to external users for goods or services. Internal service funds account for goods and services provided on a cost reimbursement basis from activities within the government. The City maintains the accounting for three enterprise funds: water, sewer, and airport operations; and, an internal service fund to account for its fleet services. Because fleet services predominantly benefit governmental rather than business-type functions, the internal service fund is included within governmental activities in the government-wide financial statements. During FY 2009, the City closed its Solid Waste Management Fund.

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the City cannot use these assets for its operations.

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension benefits and other post employment benefits to its employees.

The Combining and Individual Fund Statements and Schedules for all Nonmajor Funds include the governmental, special revenue, and capital projects funds. Commencing in FY 2008, budget to actual statements are provided for governmental and special revenue funds with legally adopted budgets.

The Schools' and the City's financial statements are included in one Comprehensive Annual Financial Report. The Greater Lynchburg Transit Company and the Business Development Centre, Inc. issue separate reports.

Other Supplementary Information for the City and Schools includes a Statistical Section, Schedule of Expenditures of Federal Awards, and Schedules of Passenger Facility Charges Revenues and Expenditures.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

The following table reflects condensed information for the City's net assets. Percentage changes in the table below were rounded for the following narrative.

Summary of Statement of Net Assets As of June 30, 2009/2008 (in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change	Component Unit Schools	
	2009	2008	2009	2008	2009	2008	2009-2008	2009	2008
Current and other assets	\$ 126.2	\$ 122.2	\$ 58.8	\$ 62.8	\$ 185.0	\$ 185.0	0%	\$ 15.3	\$ 15.4
Capital assets	280.0	256.1	281.8	274.7	561.8	530.8	6%	2.7	2.6
Total assets	406.2	378.3	340.6	337.5	746.8	715.8	4%	18.0	18.0
Long-term liabilities	137.6	136.9	162.5	153.1	300.1	290.0	3%	4.1	3.5
Other liabilities	27.7	20.1	7.6	4.7	35.3	24.8	42%	12.2	12.1
Total liabilities	165.3	157.0	170.1	157.8	335.4	314.8	7%	16.3	15.6
Net Assets									
Invested in capital assets, net of related debt	155.8	143.1	152.1	146.2	307.9	289.3	6%	1.0	0.7
Restricted for Capital projects	20.1	20.0	-	-	20.1	20.0	1%	-	-
Unrestricted	65.0	58.2	18.4	33.5	83.4	91.7	-9%	0.7	1.7
Total net assets	\$ 240.9	\$ 221.3	\$ 170.5	\$ 179.7	\$ 411.4	\$ 401.0	3%	\$ 1.7	\$ 2.4

The City's total net assets of \$411.4 million increased 2.6%, or \$10.4 million, from FY 2008.

Net assets invested in capital, net of related debt; of \$307.9 million were 75% of total net assets and increased 6.4%, or \$18.6 million. Net assets invested in capital were not available for future expenses because they were facilities, equipment, and infrastructure, etc. utilized to provide services. Please refer to Notes 8 and 9 of this report and the MD&A's capital assets and long-term debt sections.

The City has a strong financial position with 20%, or \$83.4 million, of unrestricted net assets, which are comprised of 78%, or \$65.0 million, for governmental activities, and 22%, or \$18.4 million, for business-type activities. Unrestricted net assets available for providing services to the citizens decreased 9%, or \$8.3 million. Restricted net assets of \$20.1 million are comprised of grant funds designated for highway maintenance projects.

The Schools' component unit total net assets of \$1.7 million decreased 29%, or \$0.7 million from FY 2008. Unrestricted net assets of \$0.7 million decreased 59%, or \$1 million.

Statement of Activities

The City's total revenues and expenses for governmental activities, business-type activities, and the School's component unit are reflected in the following table. Percentage changes in the table below were rounded for the following narrative.

Summary of Changes in Net Assets For Fiscal Years Ended June 30, 2009/2008 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2009	2008	2009	2008	2009	2008	2009-2008	2009	2008
Revenues:									
Program Revenues:									
Charges for services	\$ 11.5	\$ 11.8	\$ 31.4	\$ 37.2	\$ 42.9	\$ 49.0	-12%	\$ 2.7	\$ 2.7
Operating grants/contributions	32.4	36.4	0.2	0.4	32.6	36.8	-11%	63.5	58.6
Capital grants/contributions	13.0	24.9	4.8	7.5	17.8	32.4	-45%	-	-
General Revenues:									
Property taxes	65.2	63.2	-	-	65.2	63.2	3%	-	-
Other taxes	45.5	47.1	-	-	45.5	47.1	-3%	-	-
Unrestricted intergovernmental	5.6	6.2	-	-	5.6	6.2	-10%	-	-
Interest	1.7	3.5	0.8	1.8	2.5	5.3	-53%	-	-
Miscellaneous	3.8	1.0	0.3	0.1	4.1	1.1	273%	0.2	0.3
Gain on sale of assets	-	0.2	0.1	-	0.1	0.2	100%	-	-
Transfers	16.2	(0.6)	(16.2)	0.6	-	-	-	-	-
City appropriation	-	-	-	-	-	-	-	32.2	33.0
Total Revenues	<u>\$ 194.9</u>	<u>\$ 193.7</u>	<u>\$ 21.4</u>	<u>\$ 47.6</u>	<u>\$ 216.3</u>	<u>\$ 241.3</u>	<u>-10%</u>	<u>\$ 98.6</u>	<u>\$ 94.6</u>
Expenses:									
General government	14.6	13.4	-	-	14.6	13.4	9%	-	-
Judicial	5.7	5.6	-	-	5.7	5.6	2%	-	-
Public safety	43.2	43.2	-	-	43.2	43.2	0%	-	-
Public works	28.9	21.5	-	-	28.9	21.5	34%	-	-
Health and human services	26.1	27.1	-	-	26.1	27.1	-4%	-	-
Cultural and recreational	10.4	10.2	-	-	10.4	10.2	2%	-	-
Community development	5.0	5.3	-	-	5.0	5.3	-6%	-	-
Education	35.8	36.7	-	-	35.8	36.7	-2%	99.3	95.3
Interest & other fiscal charges	5.6	5.8	-	-	5.6	5.8	-3%	-	-
Issuance costs	-	0.2	-	-	-	0.2	-100%	-	-
Solid waste management	-	-	0.2	8.2	0.2	8.2	-98%	-	-
Airport	-	-	4.1	3.9	4.1	3.9	5%	-	-
Water	-	-	11.3	11.4	11.3	11.4	-1%	-	-
Sewer	-	-	15.0	14.4	15.0	14.4	4%	-	-
Total Expenses	<u>\$ 175.3</u>	<u>\$ 169.0</u>	<u>\$ 30.6</u>	<u>\$ 37.9</u>	<u>\$ 205.9</u>	<u>\$ 206.9</u>	<u>0%</u>	<u>\$ 99.3</u>	<u>\$ 95.3</u>
Change in net assets	<u>19.6</u>	<u>24.7</u>	<u>(9.2)</u>	<u>9.7</u>	<u>10.4</u>	<u>34.4</u>	<u>-70%</u>	<u>(0.7)</u>	<u>(0.7)</u>
Net assets beginning	<u>221.3</u>	<u>196.6</u>	<u>179.7</u>	<u>170.0</u>	<u>401.0</u>	<u>366.6</u>	<u>9%</u>	<u>2.4</u>	<u>3.1</u>
Net assets ending	<u>\$ 240.9</u>	<u>\$ 221.3</u>	<u>\$ 170.5</u>	<u>\$ 179.7</u>	<u>\$ 411.4</u>	<u>\$ 401.0</u>	<u>3%</u>	<u>\$ 1.7</u>	<u>\$ 2.4</u>

Governmental Activities

The City's governmental activities are comprised of the General Fund, Fleet Internal Services Fund, Special Revenue Funds, and Capital Projects Funds. Total net assets of \$240.9 million increased 8.9%, or \$19.6 million from FY 2008.

Revenue highlights:

Revenues from governmental activities of \$194.9 million increased 0.6%, or \$1.2 million from FY 2008.

Program Revenues, specifically Capital Grants and Contributions decreased \$11.9 million primarily due to a decrease of \$21 million in payments from the Virginia Department of Transportation (VDOT) and an increase of \$7.3 million from Street and Highway Maintenance funds formerly reported in the Solid Waste Management Fund. The City received a one-time initial payment from VDOT in FY 2008. The City is a participant in the Urban Construction Initiative (UCI). The UCI allows the City to administer its urban system construction program for highway construction projects. VDOT continues to pay the City the State portion of its annual construction apportionment on a quarterly basis.

General revenues, specifically Property Taxes of \$65.2 million increased \$2 million. Property Taxes are comprised mainly of Real Property and Personal Property taxes. Real Property taxes increased \$1.6 million. The City's general reassessment of real property occurs biennially and is effective on July 1 of the fiscal year. The City's biennial reassessment occurred July 1, 2009 and resulted in an increase from \$4.5 billion to \$4.9 billion, or \$0.4 billion, in assessed value of taxable real property. Personal Property Taxes decreased \$0.5 million. Public Service Corporation (PSC) taxes increased \$0.2 million.

Other Taxes of \$45.5 million decreased \$1.6 million. Other taxes are comprised mainly of revenue from Local Sales, Meals, Consumer Utilities, and Business Licenses Taxes. The decrease is an indicator of the downturn in the local economy.

Unrestricted intergovernmental revenues of \$5.6 million decreased \$0.6 million primarily due to the City's payment to the Commonwealth of Virginia in accordance with the 2008 Appropriation Act. This act cut \$50.0 million in State aid to local governments. Localities were given three methods to make the reductions. The three methods were: make the reductions out of one or more of the programs listed for reduction; make a reimbursement payment directly to the Commonwealth for all the reductions, or; choose a combination of program reductions and a reimbursement payment for the balance. The City chose to make a reimbursement payment, designated as "Local Aid to the Commonwealth."

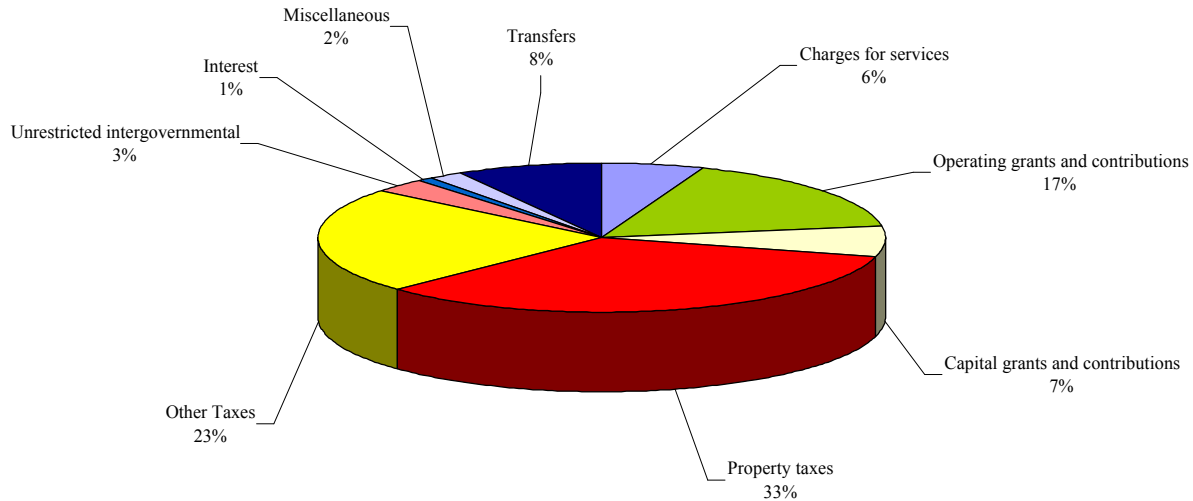
Investment earnings of \$1.7 million decreased \$1.8 million due to lower interest rates and a decrease in funds available for investment.

Miscellaneous revenue of \$3.8 million increased \$2.8 million. The increase can be attributed to the following. The City received \$1.9 million in land donated from the Virginia Department of Transportation (VDOT) as a result of the Urban Construction Initiative. The City received \$0.6 million in a revenue sharing distribution from the newly formed Region 2000 Services Authority. Subrogation proceeds of \$0.3 million were received as payment toward damages to one of the City's bridges.

Transfers increased \$16.8 million primarily as a result of closing the Solid Waste Management Fund.

The following chart reflects the governmental activities distribution of revenues by source.

Revenue by Source-Governmental Activities



Expense highlights:

Governmental activities expenses of \$175.3 million increased 3.7%, or \$6.3 million from FY 2008.

General government expenses increased \$1.2 million primarily due to employee/retiree benefits and workers' compensation.

Public Works expenses increased \$7.4 million, primarily due to the closure of the City's Solid Waste Management Fund and the sale of the City's landfill to the Region 2000 Services Authority (Authority). The refuse and recycling operations were moved to the Public Works division in the General Fund accounting for \$3.2 million of the increase. Payments to the Authority for use of the landfill were \$0.8 million. Highway maintenance and street services increased \$2.3 million. Expenses for buildings, bridges, electricity, and depreciation account for the remaining increase in expenses.

The following table indicates the total cost of services and net cost of services for governmental activities.

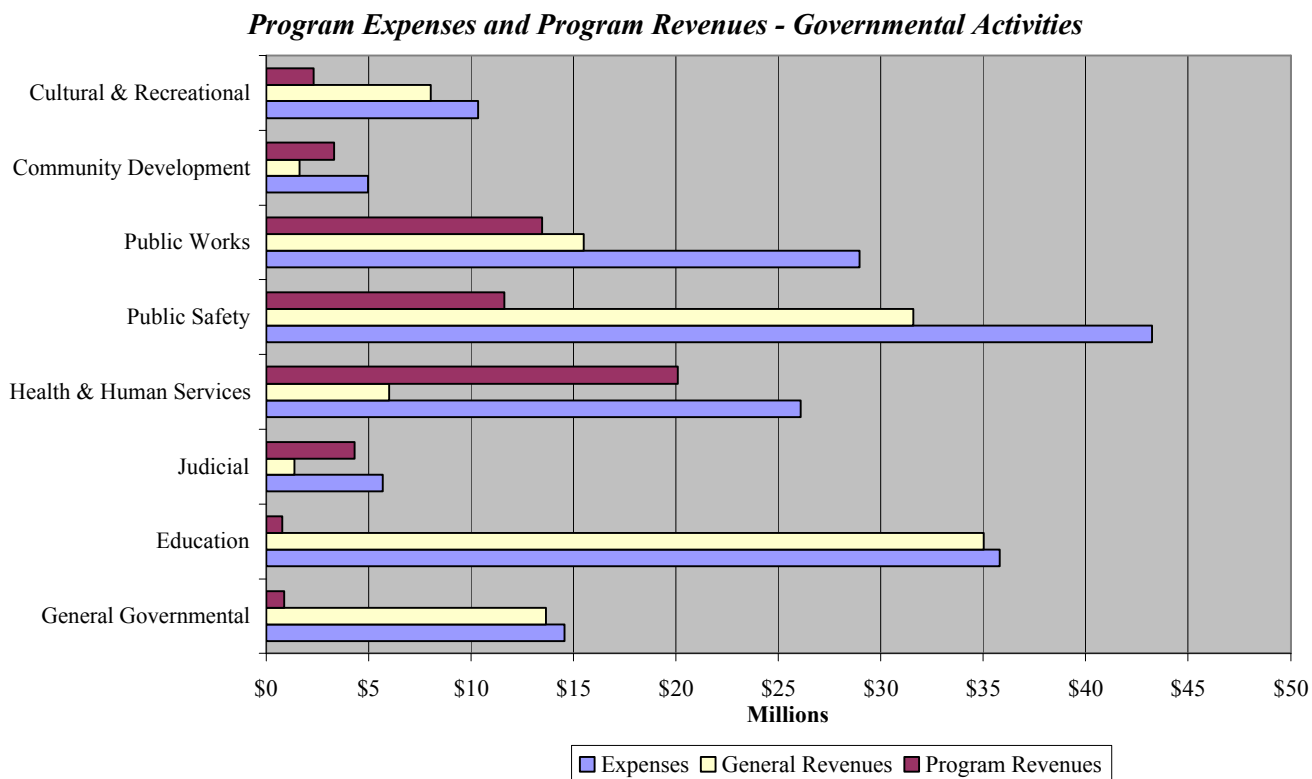
***Net Cost of Governmental Activities
For Fiscal Years Ended FY 2009/2008
(in millions)***

Governmental Activity	Total Cost of Services			Percentage Change 2009-2008	Net Cost of Services			Percentage Change 2009-2008
	2009	2008			2009	2008		
General government	\$ 14.6	\$ 13.4		9%	\$ 13.7	\$ 12.4		10%
Judicial	5.7	5.6		2%	1.4	1.2		17%
Public safety	43.2	43.2		0%	31.6	32.0		-1%
Public works	28.9	21.5		34%	15.5	(9.9)		-257%
Health and human services	26.1	27.1		-4%	6.0	7.1		-15%
Cultural and recreational	10.4	10.2		2%	8.0	8.1		-1%
Community development	5.0	5.3		-6%	1.6	3.2		-50%
Education	35.8	36.7		-2%	35.0	35.9		-3%
Interest payments & other fiscal charges	5.6	5.8		-3%	5.6	5.8		-3%
Issuance costs & other	-	0.2		-100%	-	0.2		-100%
Total Governmental Activities	\$ 175.3	\$ 169.0		4%	\$ 118.4	\$ 96.0		23%

The four largest funded programs were public safety at 24.6%, or \$43.2 million; local support for education at 20.4%, or \$35.8 million; public works at 16.5%, or \$28.9 million; and health and human services at 14.9%, or \$26.1 million. Education and Public safety continued to be high priorities for the City.

The governmental activities total cost of services increased 4% from the prior year. While the net cost of services increased 23% as indicated in the table above; the receipt of Urban Construction Initiative (UCI) funds in FY 2008 distorts the true increase. Without the UCI funds, the net cost of services would reflect a 0.3% increase. The Statement of Activities shows that the \$175.3 million in governmental activities program expenses were financed by \$11.5 million from those receiving services, \$32.4 million from operating grants and contributions, \$13.0 million from capital grants and contributions and \$118.4 million from general revenues. Overall, general revenues and transfers of \$138.0 million were \$19.6 million more than the \$118.4 million of expenses net of program revenues. A major portion of the increase is the transfers from the Solid Waste Management Fund to the governmental funds.

The following graph compares governmental activities program expenses and program revenues along with general revenues funding required for each program.



Business-type Activities

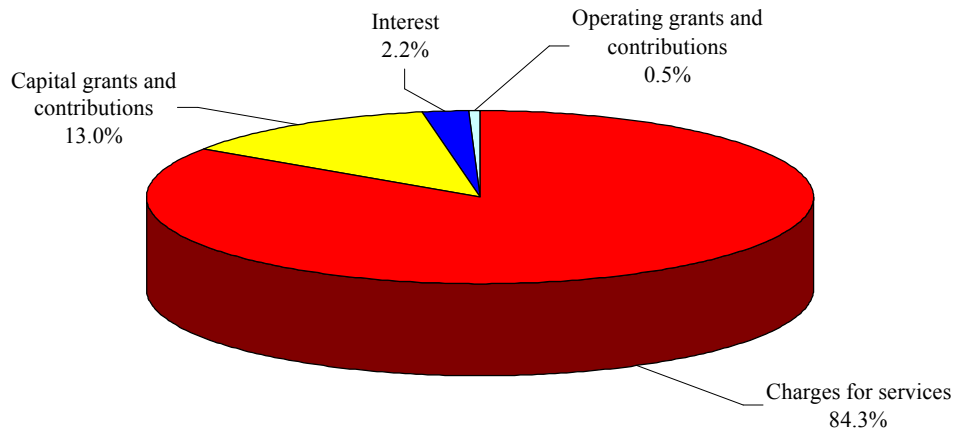
The business-type activities are comprised of Enterprise Funds for water, sewer, and airport operations. The Solid Waste Management Fund was closed in FY 2009. See Note 10. Total net assets of \$170.5 million decreased 5%, or \$9.2 million from FY 2008.

Revenue highlights:

Business-type activities revenues of \$21.4 million decreased \$26.2 million from the prior year. This was primarily due to closing the Solid Waste Management Fund resulting in transfers of \$16.5 million to other governmental funds and a decrease in charges for services revenue of \$5.8 million. Intergovernmental operating/capital grants contributions decreased \$2.9 million, primarily related to reduced federal funding for the Lynchburg Regional Airport's recently completed runway extension project. Investment earnings decreased \$0.9 million due to lower interest rates and a decrease in funds available for investment.

The following chart reflects the business-type activities distribution of revenues by source.

Revenues by Source - Business-type Activities



Expense highlights:

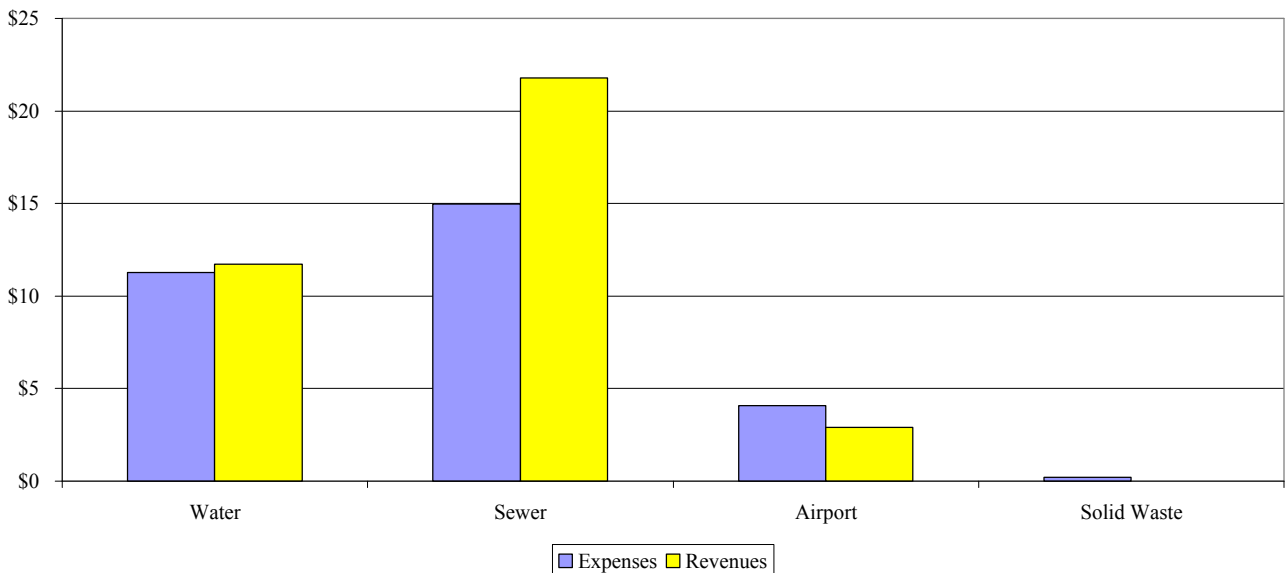
Business-type activities expenses of \$30.6 million decreased 19%, or \$7.3 million, from the prior year. This was due primarily to closing the Solid Waste Management fund; selling the City's landfill to the Region 2000 Services Authority; and moving the refuse and recycling division to the public works division of the General Fund.

The Proprietary Funds provide the same type of information reported in the government-wide financial statements for business-type activities, but in more detail. Please refer to the MD&A's section on Financial Analysis of the Fund Financial Statements-Proprietary Funds for detailed analysis of the business-type activities major funds.

Overall, business-type activities revenues of \$21.4 million were \$9.2 million less than expenses of \$30.6 million.

The following graph compares the business-type activities program expenses and program revenues.

Program Expenses and Program Revenues - Business-type Activities



Component Unit – Schools

The Schools' total net assets of \$1.7 million decreased 29%, or \$0.7 million, from FY 2008. This was primarily due to a decrease in unrestricted net assets of 59%, or \$1.7 million to \$0.7 million resulting from expenses exceeding revenue for the fiscal year. Additionally, net assets invested in capital, net of related debt, of \$1.0 million, increased 43%, or \$0.3 million, due to capital lease obligations and related equipment acquisitions.

Revenue highlights:

Total revenues of \$98.6 million increased 4.2%, or \$4.0 million, from FY 2008 primarily due to increased revenues from the Commonwealth of Virginia and the Federal Government. For FY 2009, 53.3%, or \$52.5 million, of total revenues were received from the Commonwealth of Virginia, which included \$8.4 million in sales tax receipts. The City government contributed 32.6%, or \$32.2 million, to education. Federal revenues of 11.4%, or \$11.2 million, included \$3.8 million from Title I funds to provide educational services to economically disadvantaged students and \$2.0 million to provide special education services for students with disabilities. School Nutrition revenues of \$3.3 million included \$2.3 million from the federal government for the operation of the breakfast and lunch programs. Other revenue sources of 3%, or \$2.7 million, included the following: school meals sales; tuition paid by participating school divisions to the Central Virginia Governor's School for Science and Technology; and other miscellaneous sources.

Expense highlights:

Total expenses of \$99.3 million increased 4.2%, or \$4.0 million, from the prior year primarily due to personal services and benefits costs. For FY 2009, 73.5%, or \$73.0 million, of total expenses related directly to providing instruction to 8,372 students and 13.9%, or \$13.8 million, supported maintenance and operations of school division facilities including the School Nutrition Program. Transportation costs for students were 4.1%, or \$4.1 million, while administration for the schools and attendance and health services for students were 5.0%, or \$5.0 million. Capital outlays in the fund financial statements of \$2.9 million included the acquisition of equipment. Purchases from capital lease proceeds of \$1 million were included in capital outlay expenditures in the fund financial statements.

FUND FINANCIAL ANALYSIS

Governmental Funds

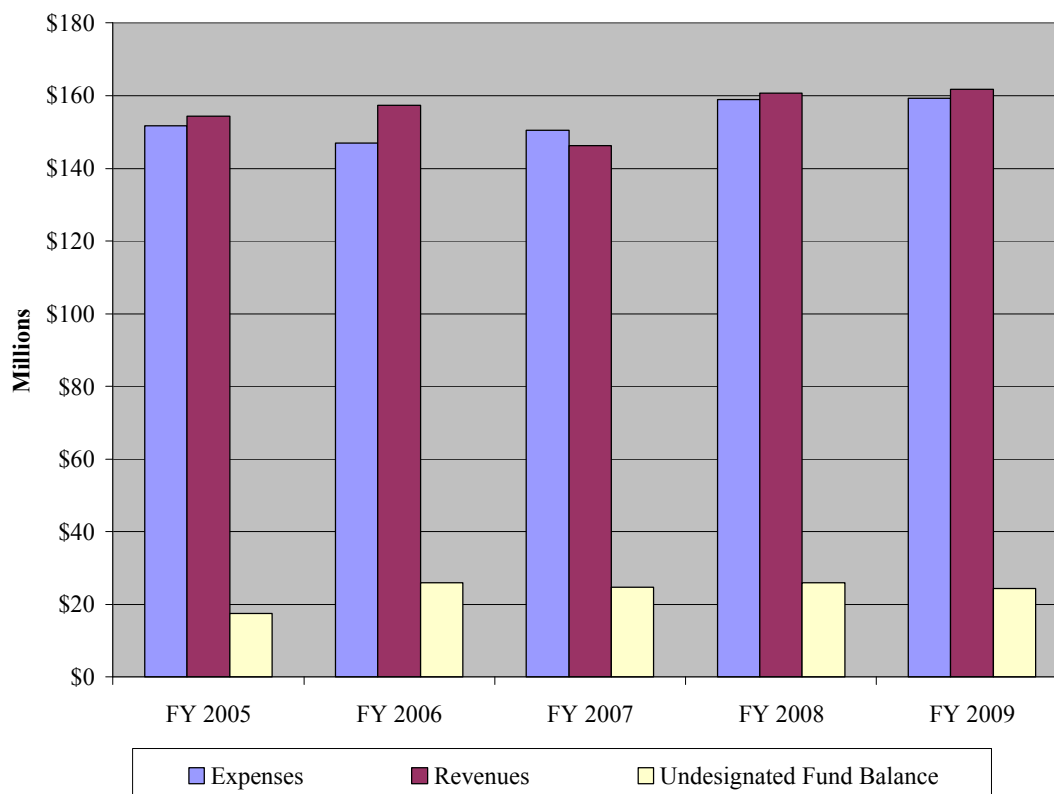
Governmental Funds include the General Fund, Special Revenue Funds and Capital Projects Funds. The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for future spending.

- For FY 2009, the City's Governmental Funds reported combined fund balances of \$84.4 million, a decrease of \$2.8 million from FY 2008. The General Fund's increase in fund balance was \$2.6 million. The City Capital Projects Fund increase in fund balance was \$2.4 million. Special Revenue Funds increase in fund balance was \$1.9 million and School Capital Projects Fund decrease in fund balance was \$9.7 million.
- The reserved portion of fund balance, which is not available for new spending, is comprised of \$31.5 million to liquidate contracts and purchase orders and \$0.5 million for advances. The designated portion of fund balance, \$12.8 million, is committed to specific uses. The commitments are comprised of \$2.9 million for Schools, \$0.3 million for health insurance, \$0.5 million for other post employment benefits, \$4.5 million for debt service, \$0.2 million for the Detention Home needs, \$0.2 million for technology, \$0.2 million for recreation programs, \$0.3 million for local aid to the Commonwealth, \$0.9 million for other needs, \$2.8 million for the City's self-insurance program, \$0.4 million in the Special Revenue Funds, and \$0.4 million in the Capital Projects Funds. The undesignated portion of fund balance, \$39.6 million, is available for future expenditures and is represented by \$24.5 million in the General Fund; \$3.8 million in the Special Revenue Funds, and \$11.3 million in the Capital Projects Funds.

General Fund

The General Fund is the chief operating fund of the City. The following graph and table present a five-year summary of financial information for expenditures, revenues, and undesignated fund balances as well as a FY 2009 summarized comparison of amended budget versus actual information.

Five-Year General Fund Financial Summary



General Fund Budgetary Highlights
For Fiscal Year Ended June 30, 2009
(in millions)

<u>Description</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Amended versus Actual</u>
<u>Revenues & Other Financing Sources</u>				
Taxes	\$ 110.8	\$ 110.8	\$ 110.3	\$ (0.5)
Intergovernmental	32.8	33.7	33.6	(0.1)
Other	<u>12.3</u>	<u>12.3</u>	<u>11.4</u>	<u>(0.9)</u>
Total	<u>155.9</u>	<u>156.8</u>	<u>155.3</u>	<u>(1.5)</u>
<u>Expenditures & Other Financing Uses</u>				
Expenditures	157.3	158.7	150.5	8.2
Transfers	<u>8.1</u>	<u>2.4</u>	<u>2.2</u>	<u>0.2</u>
Total	<u>165.4</u>	<u>161.1</u>	<u>152.7</u>	<u>8.4</u>
<u>Change in Fund Balance</u>	<u>\$ (9.5)</u>	<u>\$ (4.3)</u>	<u>\$ 2.6</u>	<u>\$ 6.9</u>

Actual expenditures and other financing uses of \$152.7 million were less than revenues and other financing sources of \$155.3 million by \$2.6 million, which resulted in a positive change in fund balance as opposed to the amended budget projected decrease of \$4.3 million. The FY 2009 adopted and amended budgets included the use of \$9.5 million and \$4.3 million, respectively, of the FY 2008 General Fund's undesignated fund balance primarily to resource a planned \$6.1 million transfer out for general government capital projects. This was in accordance with City Council's adopted Fund Balance Policy (revised December 2006), which states that funds in excess of the targeted fund balance of ten percent (10%) of General Fund revenues may be considered to supplement "pay-as-you-go" capital outlay expenditures. In summary, actual revenues were below the amended budget by \$1.5 million and actual expenditures were below the amended budget by \$8.4 million, resulting in a \$2.6 million increase in fund balance for FY 2009.

Actual revenues were less than estimated and within 1.0%, or \$1.5 million, of the amended budget. Real Estate, Personal Property, Public Service Corp., Meals and Lodging taxes were slightly above the amended budget while all other taxes were below the amended budget for FY 2009. Intergovernmental revenue was less than anticipated in the amended budget by \$0.1 million. The Other revenue category was \$0.9 million less than the amended budget due to the following: charges for services were \$0.9 million less than the amended budget; regulatory licenses, permits and fees were \$0.2 million less than the amended budget; revenue from the use of money and property was \$0.3 million less than the amended budget; and miscellaneous revenue was \$0.5 million more than the amended budget. The increase in miscellaneous revenue is attributable to the revenue sharing payment received from the newly formed Region 2000 Services Authority. Due to the uncertainty of the amount of this payment, this item was not included in the amended budget.

Actual expenditures and transfers were \$8.4 million less than the FY 2009 amended budget and attributable to the following unexpended appropriations:

- \$1.5 million for general government
- \$0.3 million for judicial
- \$2.6 million for public safety
- \$0.9 million for public works
- \$1.4 million for health and human services
- \$1.1 million for cultural and recreation, and community planning
- \$0.3 million for education
- \$0.1 million for debt service and issuance costs
- \$0.2 million for transfers

During the FY 2009 budget process, the City budgeted for a debt service reserve in the amount of \$1.3 million. These funds were set aside for future debt service expenditures.

Consistent with Financial Policies, City Council appropriated \$1.0 million for a contingency reserve with \$0.3 million carried forward from FY 2008 for a total of \$1.3 million. City Council authorized 9%, or \$0.1 million in expenditures, for public safety, and administration. The remaining 91%, or \$1.2 million, reverted to undesignated fund balance, of which \$1.0 million was carried forward to fund the FY 2010 General Fund Reserve for Contingencies.

From the original budget of \$165.4 million, City Council approved budget amendments to decrease the budget 2.6%, or \$4.3 million, resulting in an amended budget of \$161.1 million. The budget amendments were primarily for the following purposes:

- \$1.0 million increase to the budget for prior year unexpended items requested to be re-appropriated in the current year to continue programs
- \$1.7 million net increase to the budget for encumbrances
- \$1.6 million increase to the budget for third quarter budget amendment requests. Each fiscal year, management reviews current year expenditures and revenue collection patterns and presents to City Council a third quarter budget amendment. The FY 2009 amendment was comprised primarily of \$0.25 million for general government, \$0.05 million for public safety expenditures, and \$1.3 million for social services programs.
- \$0.5 million increase to the budget for anticipated business license refunds
- \$2.9 million decrease to the budget to move reserves to designated fund balance
- \$6.2 million decrease for a transfer in from the closing of the Solid Waste Management Fund

City Capital Projects Fund

The City Capital Projects Fund accounts for the major construction projects of the City other than those financed by proprietary funds or the School Capital Projects Fund. Annually, the City adopts a five year capital project plan. Year one of the plan is appropriated for current year expenditures. The fund balance of \$48.1 million increased 5.3%, or \$2.4 million, from FY 2008. Revenues and transfers of \$23.1 million decreased 50%, or \$23 million. The decrease is attributable to the following:

- \$21.0 million decrease from funds received from the Virginia Department of Transportation (VDOT) for the Urban Construction Initiative
- \$15.5 million decrease from bond proceeds
- \$0.3 million decrease from Historic district enhancement funds
- \$11.1 million increase in transfers from the closing of the Solid Waste Management Fund
- \$0.4 million increase in transfers from the General Fund
- \$0.3 million increase in Highway Maintenance funds
- \$1.2 million increase in VDOT funds for federal reimbursements
- \$0.5 million increase for capital contributions from the Industrial Development Authority
- \$0.3 million increase from insurance proceeds due to damages to a city bridge

Expenditures and capital outlay of \$20.7 million increased 48%, or \$6.7 million primarily due to the following:

- \$4.7 million increase for construction activities for the Juvenile and Domestic Relations Court
- \$1.1 million increase for the Midtown Connector Phase I
- \$1.8 million increase for Greenview Drive Phase I
- \$0.6 million decrease in bridge repairs
- \$0.3 million decrease for the bridge at Old Forest Road

Proprietary Funds

The proprietary funds are comprised of water, sewer, airport, and fleet services. The City accounts for the water, sewer, and airport as enterprise funds and fleet services as an internal service fund. The solid waste management fund was closed in FY 2009. In the budgetary management of the enterprise funds, the City has chosen to budget for principal retirement on long-term debt rather than depreciation. Further, the City uses two key financial indicators, fund balance and debt coverage ratios, found in financial policies adopted by City Council to ensure the enterprise funds' financial stability. The fund balance ratio compares the difference between current assets and current liabilities to operating expenses and debt service less depreciation. The debt coverage ratio compares operating income adjusted for depreciation, interest income and miscellaneous income compared to total debt service.

Water Fund

The Water Fund's total net assets of \$35.1 million increased 1.4%, or \$0.5 million, from FY 2008. Net assets invested in capital, net of related debt, of \$29.6 million increased 2.8%, or \$0.8 million, and were 84% of total net assets. Unrestricted net assets available to fund future expenses decreased by 3.5% or \$0.2 million. Unrestricted net assets were 16%, or \$5.5 million, of total net assets. Operating revenues totaled \$11.7 million, and increased 3.5%, or \$0.4 million, primarily due to a 4% rate increase effective July 1, 2008. Operating expenses totaled \$10 million and increased less than 1%. Investment earnings decreased \$0.3 million. For FY 2009 the fund balance ratio was 35%, which compared favorably to City Council's financial policy target of 40%. The debt coverage ratio was 1.44, which compared favorably to City Council's adopted financial policy target of 1.2.

Sewer Fund

The Sewer Fund's total net assets of \$105.7 million increased 8%, or \$7.5 million, from FY 2008. Net assets invested in capital, net of debt, of \$89.2 million increased 13%, or \$10.6 million, due to completion of Combined Sewer Overflow (CSO) projects, the College Hill water treatment plant building renovations capital project, and \$19.0 million of Virginia Revolving Loan (VRL) Program new long-term debt. Net assets invested in capital, net of related debt, were 84% of total net assets. Unrestricted net assets available to fund future expenses decreased by 15.7%, or \$3.1 million due to the results of operations. Unrestricted net assets were 16%, or \$16.6 million, of total net assets. Operating revenues totaled \$17.7 million and decreased 1%, or \$0.2 million. Operating expenses totaled \$13.3 million and increased 7.3%, or \$0.9 million, primarily due to increased administrative costs, and increased operation and maintenance costs. Investment earnings decreased \$0.3 million. For FY 2009 the fund balance ratio was 47% as compared to the financial policy target of 25%. The debt coverage ratio was 1.51, as compared to the financial policy target of 1.2 and the CSO Order requirements. Please refer to the Statistical Section of this report for details.

Airport Fund

The Airport Fund's total net assets of \$33.8 million decreased 2.6%, or \$0.9 million, from FY 2008. Net assets invested in capital, net of related debt, of \$33.4 million, decreased 2.9%, or \$1.0 million, due to increased depreciation. Net assets invested in capital, net of related debt, were 98.6% of total net assets. Unrestricted net assets available to fund future expenses increased 67%, or \$0.2 million, due to less use of previously accumulated capital funds for the runway extension project. Unrestricted net assets were 1.4%, or \$0.5 million, of total net assets. Operating revenues totaled \$2.1 million, which represents a 5% increase over FY 2008. Operating expenses totaled \$4.0 million, an increase of 8%, or \$0.3 million, due to an increase in depreciation expense. Capital contributions totaled \$0.4 million, a decrease of 92%, or \$4.7 million, which represents reduced federal contributions towards the runway extension project nearing completion.

Solid Waste Management Fund

The Solid Waste Management Fund was closed in FY 2009. All remaining assets and liabilities were transferred to the governmental funds. The refuse and recycling operations were moved to the public works division of the General Fund. See additional information in the notes to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets, net of depreciation, were \$561.7 million as reflected in the following schedule. The Schools had \$2.7 million in capital assets exclusive of buildings and facilities, which were capitalized as the City's assets.

Capital Assets
As of June 30, 2009/2008
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change	Component Unit Schools	
	2009	2008	2009	2008	2009	2008	2009-2008	2009	2008
Capital assets, not being depreciated:									
Land	\$ 12.8	\$ 9.8	\$ 4.8	\$ 5.8	\$ 17.6	\$ 15.6	13%	\$ -	\$ -
Construction in progress	36.6	14.2	17.8	30.4	54.4	44.6	22%	-	-
Capital assets, being depreciated:									
Land improvements	16.6	16.2	12.4	15.8	29.0	32.0	-9%	-	-
Buildings and improvements	188.7	186.5	47.9	40.0	236.6	226.5	4%	-	-
Infrastructure	205.0	198.0	307.7	291.5	512.7	489.5	5%	-	-
Machinery and equipment	37.1	36.0	9.3	10.8	46.4	46.8	-1%	7.9	7.4
Less: Accumulated depreciation	(216.9)	(204.6)	(118.1)	(119.6)	(335.0)	(324.2)	3%	(5.2)	(4.9)
Total Capital Assets	<u>\$ 279.9</u>	<u>\$ 256.1</u>	<u>\$ 281.8</u>	<u>\$ 274.7</u>	<u>\$ 561.7</u>	<u>\$ 530.8</u>	<u>6%</u>	<u>\$ 2.7</u>	<u>\$ 2.5</u>

During FY 2009, the City's net increase in capital assets was 6% or \$30.9 million. Major capital asset events included the following (in millions):

Construction-in-progress converted to capital assets:

Completion of several Combined Sewer Overflow (CSO) replacement projects; financed by a combination of VRL Program funds, State and federal CSO grants and general obligation bonds.	\$11.6
Completion of the James River Interceptor Division 1 CSO project; financed by a combination of VRL Program funds, State CSO grants and general obligation bonds.	9.8
Completion of renovations to the College Hill Water Treatment facility; financed by general obligation bonds and local pay-as-you-go capital monies.	6.4
Completion of improvements to Breezewood Drive including extending the road to connect with Route 221, widening, and improving the existing road alignment; financed by Virginia Department of Transportation Urban Construction funds and local pay-as-you-go capital monies.	3.2
Completion of a new disinfection system using sodium hypochlorite at the Wastewater Treatment Plant; financed by local pay-as-you-go capital monies	1.7
Completion of phase I work in the new Cornerstone Traditional Neighborhood Development, including new roads, paving, utilities, and curb and gutter; financed by general obligation bonds and local pay-as-you-go capital monies.	1.4
Completion of major refurbishments to the Wastewater Treatment Plant sludge holding tanks and gravity thickener; financed by local pay-as-you-go capital monies.	0.9
Completion of interior and exterior rehabilitation of the 4.5 million gallon water tank at the College Hill Water Treatment facility; financed by general obligation bonds and local pay-as-you-go capital monies.	0.6

Purchase of property associated with the Midtown Connector project; financed by Virginia Department of Transportation Urban Construction funds	0.5
Total construction-in-progress converted to capital assets	36.1
On-going replacement of the vehicle fleet, financed through local operating monies.	3.6
Donation of land to the City from the Virginia Department of Transportation	1.9
Purchase of a new aerial ladder truck for the Fire Department; financed by general obligation bonds	0.9
Total major asset events	<u>\$42.5</u>

Construction-in-progress at the end of FY 2009 included additional CSO abatement projects, additional James River Interceptor CSO projects, construction of a new Sandusky Middle School, construction of the new Juvenile and Domestic Relations court, widening of Greenview Drive, construction of the Midtown Connector, improvements to Jefferson Street, construction of a new Environmental Services Facility, and a variety of other building, street, bridge, water, sewer, airport, and recreation projects. Additional information on the City's capital assets can be found in Note 8 of this report.

Long-term Debt

Total outstanding debt was \$289.1 million with \$161.2 million of business-type activities debt supported by the individual funds, resulting in net bonded debt for governmental activities of \$127.9 million. Capital leases of \$0.6 million for the regional radio system joint venture and \$5.2 million for the human services facility were included, while liabilities for compensated absences and workers' compensation of \$5.5 million and other post employment benefits liability of \$2.6 million were excluded.

Long-term Debt Obligations As of June 30, 2009/2008 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change
	2009	2008	2009	2008	2009	2008	2009-2008
General Obligation Bonds	\$ 112.0	\$ 117.4	\$ 56.9	\$ 63.6	\$ 168.9	\$ 181.0	-7%
Revenue Bonds	-	-	100.3	84.4	100.3	84.4	19%
Literary Bonds	-	0.1	-	-	-	0.1	-100%
General Obligation Notes	7.5	1.3	4.0	-	11.5	1.3	785%
Note Payable	2.6	2.8	-	-	2.6	2.8	-7%
Capital Lease	5.8	6.3	-	-	5.8	6.3	-8%
Total	<u>\$ 127.9</u>	<u>\$ 127.9</u>	<u>\$ 161.2</u>	<u>\$ 148.0</u>	<u>\$ 289.1</u>	<u>\$ 275.9</u>	<u>5%</u>

Total new debt of \$29.2 million was issued. It consisted of \$6.2 million for governmental activities and \$23.0 million for business-type activities. In addition, \$2.7 million was a debt transfer from business-type activities to governmental activities. Governmental activities total new long-term debt of \$8.9 million consisted of \$2.7 million from general obligation bonds previously allocated to the Solid Waste Management Fund and transferred to governmental activities with the sale of this operation to the Region 2000 Services Authority; and, \$6.2 million of an outstanding principal balance from a line of credit Financing Agreement. Business-type activities new long-term debt of \$23.0 million consisted of \$19.0 million from the Virginia Revolving Loan Program (VRL) for CSO sewer capital projects; and, \$4.0 million of an outstanding principal balance from a line of credit Financing Agreement.

The City retired \$16.0 million of outstanding principal, all of which were planned principal retirements. The governmental activities principal retirements were \$8.9 million and the business-type activities principal retirements were \$7.1 million. Business-type activities total reduction in debt was \$9.8 million which included the \$2.7 million outstanding debt transfer to governmental activities noted above.

The City's general obligation bonds continued to maintain an Aa3 rating from Moody's Investors Service dated July 15, 2009, an AA rating from Standard & Poor's Ratings Services dated July 10, 2009, and an AA rating from Fitch Ratings dated July 15, 2009. These ratings were for the City's August 13, 2009 General Obligation Public Improvement Bonds Series 2009A (Tax-Exempt), Series 2009B (Taxable-Build America Bonds) and SeriesC (Tax-Exempt Refunding). Standard & Poor's utilized their Financial Management Assessment (FMA) model, which resulted in a "strong" ranking for the City's management practices, which is the highest ranking offered in this assessment. This "strong" ranking indicates that management practices, particularly related to fiscal and debt policies, are strong, well embedded, and likely sustainable.

On November 13, 2009, the City participated in a Virginia Public School Authority Taxable General Obligation Public Improvement Bond Issue. These were Qualified School Construction Bonds as part of the American Recovery and Reinvestment Act and issued as investor tax credit bonds with a 0% coupon. The City's portion of the pooled bond issue was \$10,255,000 with a final maturity on September 15, 2026. This partially financed new construction for Sandusky Middle School and removed this project from the State's Literary Loan Program.

The City Council adopted Debt Management Policy was amended in December 2006 and limited tax-supported debt not to exceed 4.5% of net assessed valuation of taxable property in the City. As of the end of FY 2009, outstanding tax-supported debt was 2.22% of net assessed valuation. In addition, the City Council adopted Budget Policy was amended in December 2006. It established that pay-as-you-go funding, as a percentage of the City's Five Year Capital Improvement Program, shall not be less than 10%, and it set a goal of 15%. Both policies were reaffirmed by City Council on December 9, 2008. Detailed information on the City's long-term debt is included in Note 9 of this report.

ECONOMIC FACTORS

The City's unemployment rate grew from 5.6% in FY 2008 to 9.2% in FY 2009. This increase of 3.6% reflects the downturn in the economy that is being experienced throughout the country. As of January 2009, the City had 491 reported layoffs. Even though the rate has grown to just over 9%, the five-year average is 5.66% compared to the national five-year average of 5.72%. The City has experienced an increase in the unemployment rate for the third year but the diversity of employers in the City has helped cushion the effect. September 2009 reports indicate the unemployment rate has decreased to 7.7%.

Although, still an important sector, manufacturing no longer dominates the Lynchburg economy as it did in the past. The City remains the retail hub for the region and has seen significant growth in the medical services, engineering, and higher education sectors. Centra Health, the region's nonprofit health care provider, has remained the City's largest employer for the last ten years. The City's second largest employer is Jerry Falwell Ministries, Inc. (JFM), which includes Thomas Road Baptist Church, Liberty University, and Liberty Christian Schools. JFM employs over 3,300 people. Enrollment for resident students at Liberty University increased to 11,300 for 2009 with a goal to reach 25,000 by 2020. The other three colleges in the City continue to see moderate growth including Lynchburg College which has experienced record freshmen enrollments in each of the past five years. Lynchburg has a strong presence in the resurgent nuclear energy industry; both Babcock & Wilcox and Areva NP are hiring engineers as they develop new products for licensure to electric utilities. Other important sectors of the Lynchburg economy include wireless technology, finance, and tourism.

While most localities in Virginia have experienced reductions in real estate assessments, the City experienced 4.9% growth in projected revenue based on increases in assessments for July 1, 2009.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Services, City of Lynchburg, 900 Church Street, Lynchburg, VA, 24504, or via telephone at 434-455-3968. This report, the FY 2009 Operating and Capital Budgets, and FY 2009-2012 Capital Improvement Program are on the City's web site at www.lyncburgva.gov.

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BASIC FINANCIAL STATEMENTS

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Statement of Net Assets
June 30, 2009

	Governmental Activities	Business Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				Schools	Other	
Assets						
Cash and cash equivalents	\$ 21,641,777	\$ 13,314,817	\$ 34,956,594	\$ 10,003,138	\$ 412,983	\$ 45,372,715
Investments	68,492,745	7,880,716	76,373,461	-	-	76,373,461
Receivables, net	18,084,815	3,523,175	21,607,990	168,012	701,530	22,477,532
Due from other governments	5,933,080	33,596,963	39,530,043	4,353,336	275,870	44,159,249
Internal balances	5,460,597	(5,460,597)	-	-	-	-
Due from component units	443,744	-	443,744	-	-	443,744
Inventory	86,252	464,113	550,365	73,035	257,819	881,219
Prepays and other assets	2,660,213	-	2,660,213	-	17,887	2,678,100
Restricted assets:						
Cash and cash equivalents	2,097,649	417,880	2,515,529	664,389	-	3,179,918
Due from other governments	-	4,339,997	4,339,997	-	-	4,339,997
Deferred debt charges	1,335,430	728,127	2,063,557	-	-	2,063,557
Capital assets, net of accumulated depreciation:						
Land and improvements	24,592,208	6,311,777	30,903,985	-	55,031	30,959,016
Buildings and improvements	93,756,846	30,390,883	124,147,729	-	476,194	124,623,923
Machinery and equipment	17,446,879	2,398,669	19,845,548	2,743,087	10,767,367	33,356,002
Construction in progress	36,636,505	16,474,587	53,111,092	-	-	53,111,092
Infrastructure	107,500,239	226,269,756	333,769,995	-	-	333,769,995
Total assets	406,168,979	340,650,863	746,819,842	18,004,997	12,964,681	777,789,520
Liabilities						
Accounts payable and other liabilities	19,154,019	6,422,770	25,576,789	11,849,573	1,084,085	38,510,447
Accrued interest payable	1,412,694	736,519	2,149,213	-	-	2,149,213
Due to primary government	-	-	-	291,733	152,011	443,744
Unearned revenue	7,096,760	-	7,096,760	25,200	-	7,121,960
Liabilities payable from restricted assets	43,565	409,094	452,659	-	-	452,659
Noncurrent liabilities						
Due within one year	10,754,918	7,664,030	18,418,948	1,220,113	39,985	19,679,046
Due in more than one year	126,838,482	154,858,412	281,696,894	2,880,083	52,732	284,629,709
Total liabilities	165,300,438	170,090,825	335,391,263	16,266,702	1,328,813	352,986,778
Net assets						
Invested in capital assets, net of related debt	155,791,105	152,089,577	307,880,682	990,053	11,298,592	320,169,327
Restricted for:						
Capital projects	20,149,056	-	20,149,056	-	-	20,149,056
Passenger facility charges	-	8,786	8,786	-	-	8,786
Unrestricted	64,928,380	18,461,675	83,390,055	748,242	337,276	84,475,573
Total net assets	\$ 240,868,541	\$ 170,560,038	\$ 411,428,579	\$ 1,738,295	\$ 11,635,868	\$ 424,802,742

Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total Reporting Unit
					Governmental Activities	Business-type Activities	Total	Schools	Other	
Primary government:										
Governmental activities:										
General government	\$ 14,572,569	\$ 548,729	\$ 351,353	\$ -	\$ (13,672,487)	\$ -	\$ (13,672,487)	\$ -	\$ -	\$ (13,672,487)
Judicial	5,707,528	737,613	3,582,301	-	(1,387,614)	-	(1,387,614)	-	-	(1,387,614)
Public safety	43,233,506	4,104,152	7,534,281	-	(31,595,073)	-	(31,595,073)	-	-	(31,595,073)
Public works	28,957,020	993,935	319,319	12,148,583	(15,495,183)	-	(15,495,183)	-	-	(15,495,183)
Health and human services	26,097,589	2,385,901	17,707,533	-	(6,004,155)	-	(6,004,155)	-	-	(6,004,155)
Cultural and recreational	10,364,636	2,126,732	206,216	-	(8,031,688)	-	(8,031,688)	-	-	(8,031,688)
Community development	4,974,659	600,480	2,722,387	-	(1,651,792)	-	(1,651,792)	-	-	(1,651,792)
Education	35,807,016	-	-	792,322	(35,014,694)	-	(35,014,694)	-	-	(35,014,694)
Interest payments and other fiscal charges	5,605,088	-	-	-	(5,605,088)	-	(5,605,088)	-	-	(5,605,088)
Total governmental activities	175,319,611	11,497,542	32,423,390	12,940,905	(118,457,774)	-	(118,457,774)	-	-	(118,457,774)
Business-type activities:										
Solid Waste Management	206,551	-	-	-	-	(206,551)	(206,551)	-	-	(206,551)
Airport	4,062,502	1,967,871	178,948	742,213	-	(1,173,470)	(1,173,470)	-	-	(1,173,470)
Water	11,274,496	11,705,595	-	-	-	431,099	431,099	-	-	431,099
Sewer	14,976,951	17,716,586	-	4,084,256	-	6,823,891	6,823,891	-	-	6,823,891
Total business-type activities	30,520,500	31,390,052	178,948	4,826,469	-	5,874,969	5,874,969	-	-	5,874,969
Total primary government	\$ 205,840,111	\$ 42,887,594	\$ 32,602,338	\$ 17,767,374	(118,457,774)	5,874,969	(112,582,805)	-	-	(112,582,805)
Component units:										
Schools	\$ 99,288,832	\$ 2,750,318	\$ 63,508,004	-	-	-	-	(33,030,510)	-	(33,030,510)
Greater Lynchburg Transit Company	7,572,550	1,043,067	5,294,982	6,056,978	-	-	-	-	4,822,477	4,822,477
Business Development Centre	407,904	219,056	147,100	-	-	-	-	-	(41,748)	(41,748)
Total component units	\$ 107,269,286	\$ 4,012,441	\$ 68,950,086	\$ 6,056,978	-	-	-	(33,030,510)	4,780,729	(28,249,781)
General revenues:										
Property taxes					65,185,656	-	65,185,656	-	-	65,185,656
Local sales and use tax					13,056,829	-	13,056,829	-	-	13,056,829
Meals taxes					10,477,061	-	10,477,061	-	-	10,477,061
Consumer utility taxes					4,739,261	-	4,739,261	-	-	4,739,261
Business license taxes					7,913,270	-	7,913,270	-	-	7,913,270
Communications sales and use tax					3,537,283	-	3,537,283	-	-	3,537,283
Other taxes					5,719,878	-	5,719,878	-	-	5,719,878
Unrestricted intergovernmental					5,601,254	-	5,601,254	-	-	5,601,254
Interest					1,716,449	825,779	2,542,228	8,688	-	2,550,916
Miscellaneous					3,827,687	297,033	4,124,720	232,547	21,785	4,379,052
Gain (loss) on sale of assets					-	83,700	83,700	-	(3,473)	80,227
City appropriation					-	-	-	32,183,128	-	32,183,128
Transfers					16,198,418	(16,198,418)	-	-	-	-
Total general revenues and transfers					137,973,046	(14,991,906)	122,981,140	32,424,363	18,312	155,423,815
Changes in net assets					19,515,272	(9,116,937)	10,398,335	(606,147)	4,799,041	14,591,229
Net assets - beginning					221,353,269	179,676,975	401,030,244	2,344,442	6,836,827	410,211,513
Net assets - ending					\$ 240,868,541	\$ 170,560,038	\$ 411,428,579	\$ 1,738,295	\$ 11,635,868	\$ 424,802,742

Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	City Capital Projects	Other Governmental	Total Governmental
Assets				
Cash and cash equivalents	\$ 12,999,878	\$ 1,998,253	\$ 5,503,108	\$ 20,501,239
Investments	24,064,221	40,522,159	2,509,529	67,095,909
Receivables, net of allowance				
Taxes excluding penalties	9,440,723	-	-	9,440,723
Accounts	6,079,449	-	-	6,079,449
Other	922,703	818,013	769,914	2,510,630
Due from other funds	1,665,106	6,250,689	52,427	7,968,222
Due from component units	318,744	-	125,000	443,744
Due from other governments	2,251,675	1,355,327	2,326,078	5,933,080
Other assets	-	-	213	213
Restricted assets:				
Cash and cash equivalents	55,532	2,041,922	-	2,097,454
Total assets	\$ 57,798,031	\$ 52,986,363	\$ 11,286,269	\$ 122,070,663
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 2,393,070	\$ 4,770,784	\$ 5,244,214	\$ 12,408,068
Accrued liabilities	6,491,228	1,907	86,661	6,579,796
Due to other governments	150,601	-	2,742	153,343
Due to other funds	52,427	72,523	6,456,347	6,581,297
Deposits payable from restricted assets	43,565	-	-	43,565
Deferred revenue	11,488,247	-	462,528	11,950,775
Total liabilities	20,619,138	4,845,214	12,252,492	37,716,844
Fund balances (deficits):				
Reserved for:				
Encumbrances	719,850	19,046,557	11,717,534	31,483,941
Advances	-	500,000	-	500,000
Unreserved:				
Designated	11,978,597	-	-	11,978,597
Undesignated	24,480,446	-	-	24,480,446
Unreserved, reported in special revenue:				
Designated	-	-	417,744	417,744
Undesignated	-	-	3,846,223	3,846,223
Unreserved, reported in capital projects:				
Designated	-	352,062	-	352,062
Undesignated	-	28,242,530	(16,947,724)	11,294,806
Total fund balances (deficits)	37,178,893	48,141,149	(966,223)	84,353,819
Total liabilities and fund balances	\$ 57,798,031	\$ 52,986,363	\$ 11,286,269	\$ 122,070,663

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2009**

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balance - governmental funds		\$ 84,353,819
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	279,932,677	
Less: Internal service capital assets	<u>(13,861,124)</u>	
		266,071,553
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		4,854,014
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds		2,660,000
Internal service fund activity that has been allocated to the user departments.		4,096,411
Internal service fund is used by management to charge the costs of vehicle maintenance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.		12,269,490
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Bonds payable	(120,391,508)	
Accrued interest payable	(1,412,694)	
Capital leases payable	(5,804,147)	
Notes payable	(2,660,000)	
Compensated absences	(3,901,932)	
Workers' compensation	(800,733)	
Other post-employment benefits obligation	<u>(2,373,773)</u>	
	(137,344,787)	
Add back: Internal Service bonds payable	3,784,896	
Add back: Internal Service accrued interest payable	65,241	
Add back: Internal Service compensated absences	36,149	
Add back: Internal Service other post-employment benefits obligation	<u>21,755</u>	
		<u>(133,436,746)</u>
Net assets of governmental activities		<u>\$ 240,868,541</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General	City Capital Projects	Other Governmental	Total Governmental
Revenues				
Taxes	\$ 110,297,053	\$ -	\$ 32,961	\$ 110,330,014
Regulatory licenses, permits and privilege fees	650,514	-	-	650,514
Intergovernmental	33,646,195	4,838,744	12,287,969	50,772,908
Fines and forfeitures	612,595	-	-	612,595
Revenue from use of money and property	1,403,024	714,954	995,932	3,113,910
Charges for services	7,593,070	-	4,189,585	11,782,655
Miscellaneous	1,168,236	355,363	794,173	2,317,772
Total revenues	155,370,687	5,909,061	18,300,620	179,580,368
Expenditures				
Current operating expenditures				
General government	15,808,721	-	636,275	16,444,996
Judicial	4,457,959	-	1,043,769	5,501,728
Public safety	36,981,993	-	5,400,945	42,382,938
Public works	17,209,120	4,428,662	35,918	21,673,700
Health and human services	19,126,038	-	6,567,624	25,693,662
Cultural and recreational	7,794,603	-	1,701,512	9,496,115
Community development	3,730,495	-	1,137,514	4,868,009
Education	32,150,370	-	10,860	32,161,230
Capital outlay				
Capital general government	-	16,246,400	16,408,390	32,654,790
Debt service				
Principal retirements	8,152,512	-	429,558	8,582,070
Interest payments and other fiscal charges	5,121,995	-	333,255	5,455,250
Total expenditures	150,533,806	20,675,062	33,705,620	204,914,488
Excess (deficiency) of revenues over expenditures	4,836,881	(14,766,001)	(15,405,000)	(25,334,120)
Other financing sources (uses)				
Issuance of bonds	-	-	6,156,611	6,156,611
Transfers in	6,450,066	17,300,683	1,446,450	25,197,199
Transfers out	(8,673,819)	(112,557)	(57,745)	(8,844,121)
Total other financing sources (uses)	(2,223,753)	17,188,126	7,545,316	22,509,689
Net changes in fund balances	2,613,128	2,422,125	(7,859,684)	(2,824,431)
Fund balances - beginning	34,565,765	45,719,024	6,893,461	87,178,250
Fund balances (deficits) - ending	\$ 37,178,893	\$ 48,141,149	\$ (966,223)	\$ 84,353,819

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2009**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (2,824,431)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the detail of the two components.

Capital outlay	33,101,444
Depreciation expense	(13,546,248)

The net effect of various transactions involving capital assets (sales, reduction in construction in progress, donated assets) is to decrease net assets.	3,279,384
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(396,484)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	(537,221)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(417,120)
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To eliminate transfers to the internal service fund	1,164,853
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The net loss of certain activities of the internal service fund is reported with governmental activities.	(308,905)
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Change in net assets of governmental activities.	<u>\$ 19,515,272</u>
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Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 110,839,636	\$ 110,839,636	\$ 110,297,053	\$ (542,583)
Regulatory licenses, permits and privilege fees	920,685	920,685	650,514	(270,171)
Intergovernmental	32,819,770	33,684,669	33,646,195	(38,474)
Fines and forfeitures	570,000	570,000	612,595	42,595
Revenue from use of money and property	1,684,886	1,684,886	1,403,024	(281,862)
Charges for services	8,455,823	8,475,823	7,593,070	(882,753)
Miscellaneous	655,656	655,656	1,168,236	512,580
Total revenues	155,946,456	156,831,355	155,370,687	(1,460,668)
Expenditures				
Current operating expenditures				
General government	20,835,487	17,299,639	15,808,721	1,490,918
Judicial	4,530,586	4,790,896	4,457,959	332,937
Public safety	38,318,499	39,542,261	36,981,993	2,560,268
Public works	15,739,701	18,057,211	17,209,120	848,091
Health and human services	18,533,092	20,560,290	19,126,038	1,434,252
Cultural and recreational	8,256,780	8,463,244	7,794,603	668,641
Community development	3,907,280	4,131,533	3,730,495	401,038
Education	32,442,103	32,442,103	32,150,370	291,733
Debt service				
Principal retirements	9,482,829	8,153,018	8,152,512	506
Interest payments and other fiscal charges	5,268,565	5,269,310	5,121,995	147,315
Total expenditures	157,314,922	158,709,505	150,533,806	8,175,699
Excess (deficiency) of revenues over expenditures	(1,368,466)	(1,878,150)	4,836,881	6,715,031
Other financing sources (uses)				
Transfers in	20,000	6,394,309	6,450,066	55,757
Transfers out	(8,137,030)	(8,769,234)	(8,673,819)	95,415
Total other financing sources (uses)	(8,117,030)	(2,374,925)	(2,223,753)	151,172
Net changes in fund balances	(9,485,496)	(4,253,075)	2,613,128	6,866,203
Fund balances - beginning	34,565,765	34,565,765	34,565,765	-
Fund balances - ending	\$ 25,080,269	\$ 30,312,690	\$ 37,178,893	\$ 6,866,203

Statement of Net Assets
Proprietary Funds
June 30, 2009

	Enterprise Funds					
	Solid Waste Management	Water	Sewer	Airport	Total	Internal Service
Assets						
Current assets:						
Cash and cash equivalents	\$ -	\$ 3,598,561	\$ 8,362,581	\$ 1,353,675	\$ 13,314,817	\$ 1,140,538
Investments	-	1,776,601	6,104,115	-	7,880,716	1,396,836
Receivables, net of allowance						
Accounts	-	1,242,730	2,151,799	31,145	3,425,674	-
Other	-	66	34,161	63,274	97,501	54,013
Due from other governments	-	-	1,550,674	691,213	2,241,887	-
Inventory	-	464,113	-	-	464,113	86,252
Due from members - Regional Sewage Treatment Plant	-	-	388,888	-	388,888	-
Total current assets	-	7,082,071	18,592,218	2,139,307	27,813,596	2,677,639
Noncurrent assets:						
Due from other governments	-	-	31,355,076	-	31,355,076	-
Restricted assets:						
Due from members - Regional Sewage Treatment Plant	-	-	3,951,109	-	3,951,109	-
Cash and cash equivalents	-	409,094	-	8,786	417,880	195
Deferred debt charges	-	325,523	374,710	27,894	728,127	-
Capital assets, net of accumulated depreciation:	-	60,390,847	186,189,679	35,265,146	281,845,672	13,861,124
Total noncurrent assets	-	61,125,464	221,870,574	35,301,826	318,297,864	13,861,319
Total assets	-	68,207,535	240,462,792	37,441,133	346,111,460	16,538,958
Liabilities						
Current liabilities:						
Accounts payable	-	665,306	5,218,558	368,846	6,252,710	326,910
Accrued liabilities	-	148,855	77,358	22,610	248,823	16,101
Accrued interest payable	-	343,221	370,690	22,608	736,519	65,241
Due to other governments	-	2,028	-	-	2,028	15
Due to other funds	-	129,770	83,062	1,151,354	1,364,186	22,739
Current portion of general obligation bonds	-	1,703,875	2,103,851	254,716	4,062,442	249,504
Current portion of public utility revenue bonds	-	-	3,520,797	-	3,520,797	-
Total current liabilities	-	2,993,055	11,374,316	1,820,134	16,187,505	680,510
Noncurrent liabilities:						
Deposits payable from restricted assets	-	409,094	-	-	409,094	-
Self insurance claims	-	5,508	64,661	-	70,169	-
Compensated absences	-	177,877	119,430	48,182	345,489	31,811
Other post-employment benefits obligation	-	89,395	58,355	38,945	186,695	21,755
Notes payable	-	4,000,000	-	-	4,000,000	-
General obligation bonds	-	25,435,379	26,325,385	1,688,292	53,449,056	3,535,392
Public utility revenue bonds	-	-	96,807,003	-	96,807,003	-
Total noncurrent liabilities	-	30,117,253	123,374,834	1,775,419	155,267,506	3,588,958
Total liabilities	-	33,110,308	134,749,150	3,595,553	171,455,011	4,269,468
Net Assets						
Invested in capital assets, net of related debt	-	29,577,116	89,162,429	33,350,032	152,089,577	10,076,423
Restricted for:						
Passenger facility charges	-	-	-	8,786	8,786	-
Unrestricted	-	5,520,111	16,551,213	486,762	22,558,086	2,193,067
Total net assets	\$ -	\$ 35,097,227	\$ 105,713,642	\$ 33,845,580	174,656,449	\$ 12,269,490
Reconciliation with business type activities in the statement of net assets:						
Internal service fund activity is eliminated for the statement of activities, with residual activity allocated to user departments					(4,096,411)	
Total net assets of business-type activities					\$ 170,560,038	

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Enterprise Funds					
	Solid Waste Management	Water	Sewer	Airport	Total	Internal Service
Operating revenues						
Charges for services and other operating revenues	\$ -	\$ 11,705,595	\$ 17,716,586	\$ 1,967,871	\$ 31,390,052	\$ 4,426,371
Intergovernmental	-	-	-	178,948	178,948	-
Total operating revenues	-	11,705,595	17,716,586	2,146,819	31,569,000	4,426,371
Operating expenses						
Personal services and benefits	-	3,886,560	2,580,269	912,723	7,379,552	699,083
Operation and maintenance	-	1,296,658	2,922,473	825,665	5,044,796	1,882,526
Supplies and materials	-	1,451,738	988,444	99,852	2,540,034	21,412
Administration	-	1,227,113	2,370,470	203,813	3,801,396	972
Other charges	-	61,621	35,903	17,935	115,459	34,446
Depreciation	-	2,090,517	4,430,958	1,911,836	8,433,311	2,251,599
Total operating expenses	-	10,014,207	13,328,517	3,971,824	27,314,548	4,890,038
Operating income (loss)	-	1,691,388	4,388,069	(1,825,005)	4,254,452	(463,667)
Nonoperating revenues (expenses)						
Interest income	363,207	82,842	363,942	15,788	825,779	59,873
Governmental grants	-	-	38,500	-	38,500	-
Passenger facility charges	-	-	-	319,360	319,360	-
Miscellaneous	889	25,223	257,943	11,508	295,563	180,832
Gain (loss) on disposition of assets	83,700	-	-	-	83,700	(18,563)
Interest on long-term debt	(118,078)	(1,267,391)	(1,632,263)	(86,964)	(3,104,696)	(167,166)
Total nonoperating revenues (expenses)	329,718	(1,159,326)	(971,878)	259,692	(1,541,794)	54,976
Income (loss) before contributions and transfers	329,718	532,062	3,416,191	(1,565,313)	2,712,658	(408,691)
Capital contributions	-	-	4,045,756	422,853	4,468,609	-
Transfers in	-	-	-	295,850	295,850	1,164,853
Transfers out	(16,494,268)	-	-	-	(16,494,268)	-
Change in net assets	(16,164,550)	532,062	7,461,947	(846,610)	(9,017,151)	756,162
Total net assets - beginning	16,164,550	34,565,165	98,251,695	34,692,190	183,673,600	11,513,328
Total net assets - ending	-	\$ 35,097,227	\$ 105,713,642	\$ 33,845,580	\$ 174,656,449	\$ 12,269,490
Reconciliation with business type activities in the statement of activities:						
Change in net assets - enterprise funds reported in this statement					\$ (9,017,151)	
Internal service fund activity is eliminated for the statement of activities, with residual activity allocated to user departments					(99,786)	
Change in net assets of business-type activities:					\$ (9,116,937)	

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Enterprise Funds					Internal Service
	Solid Waste Management	Water	Sewer	Airport	Total	
Operating activities						
Cash received from operations	\$ 790,840	\$ 11,810,200	\$ 17,888,004	\$ 2,130,396	\$ 32,619,440	\$ 4,426,371
Cash paid to employees	(60,700)	(3,822,556)	(2,565,596)	(890,569)	(7,339,421)	(686,076)
Cash paid to suppliers	(1,299,155)	(3,912,786)	(5,525,083)	(1,004,994)	(11,742,018)	(1,935,693)
Net cash provided from (used in) operating activities	(569,015)	4,074,858	9,797,325	234,833	13,538,001	1,804,602
Noncapital financing activities						
Intergovernmental grants	-	-	38,500	-	38,500	-
Transfers in	-	-	-	295,850	295,850	1,060,751
Transfers out	(9,175,551)	-	-	-	(9,175,551)	-
Net cash provided from (used in) noncapital financing activities	(9,175,551)	-	38,500	295,850	(8,841,201)	1,060,751
Capital and related financing activities						
Proceeds from issuance of long-term debt:						
Notes payable	-	4,000,000	-	-	4,000,000	-
Payment of long-term debt:						
General obligation bonds	(544,502)	(1,408,763)	(1,810,056)	(234,910)	(3,998,231)	(247,008)
Revenue bonds	-	-	(3,097,845)	-	(3,097,845)	-
Drawdowns of public utility revenue bonds - revolving loan funds	-	-	6,969,936	-	6,969,936	-
Payment of interest on long-term debt	(137,946)	(1,265,192)	(1,610,265)	(87,211)	(3,100,614)	(173,104)
Increase in due to other funds	-	-	-	355,000	355,000	-
Capital contributions received	-	-	2,711,554	483,072	3,194,626	-
Passenger facility charges collected	-	-	-	284,016	284,016	-
Proceeds from sale of capital assets	6,168,629	-	-	-	6,168,629	1,274,388
Additions to capital assets	-	(5,454,573)	(14,500,717)	(837,679)	(20,792,969)	(4,431,032)
Proceeds from other governments	-	-	391,992	-	391,992	-
Proceeds from other organizations	889	75,761	266,443	11,508	354,601	169,494
Net cash provided from (used in) capital and related financing activities	5,487,070	(4,052,767)	(10,678,958)	(26,204)	(9,270,859)	(3,407,262)
Investing activities						
Net purchase of investments	-	1,049,935	5,965,683	-	7,015,618	(381,612)
Interest income received	363,207	82,842	363,942	15,788	825,779	59,873
Net cash provided by (used in) investing activities	363,207	1,132,777	6,329,625	15,788	7,841,397	(321,739)
Net increase (decrease) in cash and cash equivalents	(3,894,289)	1,154,868	5,486,492	520,267	3,267,338	(863,648)
Cash and cash equivalents						
Beginning	3,894,289	2,852,787	2,876,089	842,194	10,465,359	2,004,381
Ending	\$ -	\$ 4,007,655	\$ 8,362,581	\$ 1,362,461	\$ 13,732,697	\$ 1,140,733
Reconciliation to Statement of Net Assets						
Current Assets	\$ -	\$ 3,598,561	\$ 8,362,581	\$ 1,353,675	\$ 13,314,817	\$ 1,140,538
Restricted Assets	-	409,094	-	8,786	417,880	195
	\$ -	\$ 4,007,655	\$ 8,362,581	\$ 1,362,461	\$ 13,732,697	\$ 1,140,733

(Continued)

The Notes to Financial Statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Enterprise Funds					Internal Service
	Solid Waste Management	Water	Sewer	Airport	Total	
Reconciliation of operating income (loss) to net cash provided from (used in) operating activities						
Operating income (loss)	\$ -	\$ 1,691,388	\$ 4,388,069	\$ (1,825,005)	\$ 4,254,452	\$ (463,667)
Adjustments to reconcile operating income (loss) to net cash provided from (used in) operating activities:						
Depreciation	-	2,090,517	4,430,958	1,911,836	8,433,311	2,251,599
Landfill closure and postclosure cost	(577,505)	-	-	-	(577,505)	-
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable	813,679	63,992	171,418	(16,423)	1,032,666	-
Decrease (increase) in inventory	-	(81,112)	-	-	(81,112)	37,678
Increase (decrease) in trade accounts payable	(679,436)	205,265	792,207	142,271	460,307	(34,015)
Increase (decrease) in accrued expenses	(22,839)	66,553	14,520	23,541	81,775	13,497
Increase (decrease) in due to other funds	(60,700)	(2,549)	153	(1,387)	(64,483)	(490)
Increase (decrease) in due to other governments	(42,214)	191	-	-	(42,023)	-
Increase in deposits payable	-	40,613	-	-	40,613	-
Net cash provided from (used in) operating activities	<u>\$ (569,015)</u>	<u>\$ 4,074,858</u>	<u>\$ 9,797,325</u>	<u>\$ 234,833</u>	<u>\$ 13,538,001</u>	<u>\$ 1,804,602</u>
Supplemental cash flow information						
Non-cash transactions						
Capitalized interest	\$ -	\$ 12,762	\$ -	\$ -	\$ 12,762	\$ -
Capital asset additions financed by retainage payable	-	35,777	118,302	41,803	195,882	-
Capital asset additions financed by accounts payable	-	306,936	4,127,141	128,164	4,562,241	-
Undrawn public utility revenue bond proceeds	-	-	31,355,076	-	31,355,076	-
Amortization of debt related items	24,007	29,997	44,478	2,799	101,281	2,361

Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2009

Assets	
Cash and cash equivalents	<u>\$ 596,747</u>
Total assets	<u><u>\$ 596,747</u></u>
Liabilities	
Accounts payable	\$ 3,465
Due to other governments	135,756
Amounts held for others	<u>457,526</u>
Total liabilities	<u><u>\$ 596,747</u></u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Lynchburg, Virginia (the “City”) was founded by John Lynch in 1757, chartered as a town in 1786 and incorporated as a town on January 10, 1805 and received independent City status in 1852. The City operates on a Council-Manager form of Government and provides all municipal services to its residents. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City.

Discretely Presented Component Units: The component units’ columns in the combined financial statements include the data of the City’s three component units. They are reported in separate columns to emphasize that they are legally separate from the City. The governing bodies of these component units are appointed by City Council.

Lynchburg City Schools: The Lynchburg City Schools (the “Schools”) operates one pre-school, eleven elementary schools, one special education school, three middle schools and two high schools in the City. The Schools are fiscally dependent on the City because the Schools’ operational and capital budgets are funded approximately 40% by the City. In addition, the Schools are prohibited from issuing bonded debt without approval of City Council.

Business Development Centre, Inc.: The Business Development Centre, Inc. (the “Centre”) provides business advisory services to small businesses in the Central Virginia area, operates a business incubator, and provides financing for qualifying businesses under certain federal programs. The City provides financial support to the Centre by leasing to the Centre, at a nominal amount, the facility which houses the Centre’s operations. As part of the operating agreement with the Centre, the City agrees to advance operating funds to the Centre to cover working capital needs. The City has agreed to provide local matching funds under the revolving loan fund program.

Greater Lynchburg Transit Company: The Greater Lynchburg Transit Company (“GLTC”) was created in 1974 to serve the greater Lynchburg area with public bus and paratransit transportation. GLTC is organized as a not-for-profit stock corporation with the City of Lynchburg as the sole stockholder. The capital for the purchase of the Company’s assets has been provided by federal, state, and local grants, and GLTC is dependent on various operating grants to subsidize operations. The City provides financial support to GLTC through the assumption of the obligation to finance GLTC’s deficits and through annual appropriations for the GLTC operating budget.

Complete financial statements of the individual component units can be obtained directly from their administrative offices at the addresses listed below. The Lynchburg City Schools financial statements are not separately prepared, but are included in this financial report.

Business Development Centre, Inc.
147 Mill Ridge Road
Lynchburg, Virginia 24502

Greater Lynchburg Transit Company
Post Office Box 797
Lynchburg, Virginia 24505-0797

Jointly Governed Organizations: The following entities are excluded from the accompanying financial statements:

Blue Ridge Regional Jail Authority: The Blue Ridge Regional Jail Authority (the “Authority”) was created by certain Member Jurisdictions for the purpose of developing and operating a regional jail system to be established by acquiring, renovating and expanding certain existing jail facilities and constructing additional jail facilities. The Member Jurisdictions are the Cities of Lynchburg and Bedford and the Counties of Halifax, Bedford, and Campbell. The Authority began operating the existing jail facilities in the Member Jurisdiction on July 1, 1998.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

The City sold its existing jail facilities to the Authority during FY 1997. A new central jail facility was constructed in Lynchburg and opened in FY 2000. It is owned and operated by the Authority. Each Member Jurisdiction pays a per diem charge for each day that one of its prisoners is at any Regional Jail Facility. In accordance with the Service Agreement, the Authority has divided the per diem charge into an operating component and a debt service component. The per diem charge is based on an agreed upon number of prisoner days, and is subject to an adjustment at the end of each fiscal year. During FY2009, the City paid \$3,744,294 to the Authority.

Central Virginia Community Services Board: The City, in conjunction with the counties of Amherst, Appomattox, Bedford and Campbell and the City of Bedford participate in the Central Virginia Community Services Board ("CVCSB"), which is composed of two members from each of the participating localities. The City appropriated \$444,003 for an operating contribution to the CVCSB for FY2009.

Regional Commission 2000: The City serves as the Local Workforce Investment Area grant recipient on behalf of the Regional Commission 2000/Central Virginia Local Workforce Investment Area VII. According to the requirements, grant funds are used to provide employment and training activities for adults and dislocated workers and to provide services for eligible youth. During FY2009, the Regional Commission 2000 received \$927,321 in grant funds of which \$53,826 was ARRA funds.

Region 2000 Services Authority: During 2008, the City, in conjunction with the Counties of Campbell and Nelson and the City of Bedford, created the Region 2000 Services Authority (the "Authority"). The Authority commenced operations on July 1, 2008. The Authority operates two landfills. Each member jurisdiction pays a per-ton disposal charge for all waste transferred to the Authority. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-ton charge is based upon an assumed number of tons and is subject to adjustment at the end of each year. The governing board is composed of one member from each of the participating localities. In accordance with the member use agreement, the City provided the authority \$300,000 in initial start up costs. During FY2009, the City paid \$820,645 to the Authority.

Joint Venture: The City participates in an intergovernmental agreement with the Counties of Amherst and Bedford and the City of Bedford for the operation of a regional radio communication system. The Central Virginia Regional Radio Communications Board is responsible for overseeing the management, operation and administration of the system. The project was financed originally by lease revenue bonds of the Industrial Development Authority of Amherst County and the City of Bedford (in the amount of \$9,931,000 with interest at 5.72%), and the leasing of the project to the participating jurisdictions. On August 1, 2004, this lease revenue bond was refinanced with a \$5,075,000 lease revenue note at 3.30% and a July 2011 maturity. Each participating jurisdiction maintains a leasehold interest in the project and shares costs of operation and maintenance equal to the jurisdiction's payment percentage as defined in the agreement. The City's participating interest is 33.10%. Future minimum lease payments in the amount of \$644,284 are included in the governmental activities noncurrent liabilities. An asset in the amount of \$996,768 is shown in the governmental activities capital assets, net of accumulated depreciation. Separate financial statements of this joint venture are not available.

Related Organizations: The following entities are excluded from the accompanying financial statements:

Lynchburg Redevelopment and Housing Authority: Under the *Code of Virginia* ("Code"), the Commonwealth of Virginia ("Commonwealth") created in each city and county a redevelopment and housing authority which is a separate political subdivision of the Commonwealth. In April 1956, City Council activated the Lynchburg Redevelopment and Housing Authority (the "LRHA") which owns and operates federal and state-assisted housing projects for low-income families and administers urban development projects. Commissioners of the LRHA are

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

appointed by City Council; however, City Council is not financially accountable for LRHA. During FY2009, the City appropriated \$212,236 to the LRHA from the Community Development Block Grant Fund.

Industrial Development Authority of the City of Lynchburg: Under the *Code*, City Council passed an ordinance on March 14, 1967, which created the Industrial Development Authority of the City of Lynchburg (the "IDA"). The IDA was established to promote industry and develop trade within the City. The IDA is governed by a board of seven directors appointed by City Council; however, City Council is not financially accountable for the IDA.

Other Boards and Commissions: City Council appoints certain members of various boards and commissions' governing bodies as provided under state and local laws and ordinances. The boards and commissions are advisory in nature and City Council is not financially accountable for these organizations.

B. Basis of Presentation

The accompanying financial statements present the government and its component units legally separate entities for which the City is financially accountable. As permitted in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply to its enterprise funds Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Government-wide Statements: The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The various fund categories and fund types presented in the financial statements are described below:

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Governmental Fund Types:

The City reports the following major governmental funds:

General Fund: The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.

City Capital Projects Fund: The City Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and the School Capital Projects Fund.

The City reports the following non-major governmental funds:

Special Revenue Funds: Special Revenue Funds account for the proceeds of specific revenue, other than major capital projects, that are legally restricted to expenditures for specified purposes. These funds consist of the City Federal/State Aid Projects, Community Development Block Grant, Lynchburg Business Development Centre, Forfeited Assets, Comprehensive Services Act, Lynchburg Expressway Appearance, Home Investment Trust, Detention Home, Technology Services, and Baseball Stadium.

School Capital Projects: The School Capital Projects Fund accounts for budgeted capital projects approved by the Lynchburg City Schools related to educational activities.

Proprietary Fund Types:

The City reports the following major proprietary funds:

Enterprise Funds: Enterprise Funds account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. These funds consist of the Water, Sewer, and Airport Funds. During FY2009 the City closed the Solid Waste Management Fund. See Note (10).

The Water fund operates the water distribution system for the City and three surrounding counties. The Sewer Fund operates a regional wastewater treatment plant, a combined sewer system, and cleans, monitors and repairs the wastewater collection system for the City and three surrounding counties. The Airport Fund accounts for the administration of the Lynchburg Regional Airport.

The total enterprise funds columns in the proprietary fund statement of net assets and activities are essentially equal to the business-type activity column in the government wide statements, with the exception of the impact of allocating internal service fund activity.

Additionally, the City reports the following fund types:

Internal Service Fund: Internal Service Fund accounts for the financing of goods and services supplied to other funds of the City on a cost-reimbursement basis. A Fleet Management Fund has been established to account for the operation and maintenance of City vehicles.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fiduciary Fund Types:

Agency Funds: Agency Funds account for assets held by the City as an agent or custodian for others. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds consist of the Special Welfare and Central Virginia Regional Radio Board Funds.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both “measurable” and “available.” Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current fiscal period for most revenues. Reimbursement basis grants are recognized as revenue when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, consisting principally of categorical aid from federal and state agencies, are recognized when earned or at the time of the specific expenditure. Sales and public utility taxes, which are collected by the Commonwealth of Virginia and public utilities, respectively, and subsequently remitted to the City, are recognized as revenues and receivables when measurable and available.

Expenditures in governmental funds are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exceptions to this general rule are principal and interest on general long-term debt, which are recognized when due.

Proprietary fund types utilize the accrual basis of accounting. Revenues are recognized when earned, including unbilled utility receivables and expenses are recognized when incurred. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds and of the City’s internal service fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds are unlike all other fund types, reporting only assets and liabilities; therefore, agency funds do not have a measurement focus. The agency fund utilizes the accrual basis of accounting to recognize receivables and payables.

The City reports two major governmental funds, the General Fund and the City Capital Projects Fund.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The City reports the following major proprietary funds: The Water Fund, Sewer Fund, Solid Waste Management Fund and Airport Fund.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

All governmental and proprietary funds have legally adopted budgets. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Typically, in early March the City Manager submits to City Council a proposed operating budget for the fiscal year commencing July 1 and ending June 30 of the following year. The operating budget includes proposed expenditures and the means of financing them.
- Council studies the proposed budget at work sessions throughout the months of March and April and holds a public hearing to receive citizens' comments.
- The Council makes final budget decisions and adopts the budget through passage of an appropriations resolution during the month of May. By July 1 the City Manager prepares and distributes the adopted budget.
- The City prepares a five-year Capital Improvement Program (CIP) for the City Capital Projects, School Capital Projects, Water, Sewer, and Airport. The CIP specifies capital improvement or construction projects, which are tentatively identified for funding during the next five years, with the first year of the plan serving as the capital budget. Project budgets are utilized in the capital projects funds. Appropriations for the capital projects funds are continued until completion of applicable projects, even when projects extend for more than one fiscal year, or until repealed.
- Budgets for the General, Water, Sewer, Airport, Capital Projects and all Special Revenue Funds are prepared in accordance with the City Charter on the modified accrual basis of accounting. Encumbrances are treated as a reservation of fund equity and reappropriated in the next fiscal year. Revenues, expenditures, and transfers related to internal service type functions are included for budget purposes. The budget for the Lynchburg City Schools (School Operating Fund) is prepared on the modified accrual basis of accounting.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total budget amounts and/or appropriations of any fund require an amendment to the budget. The Code of Virginia requires that City Council approve any amendment. If the total of the proposed amendment exceeds one percent of the total budgeted revenue, the proposed amendment must be advertised and a public hearing must be held before City Council can act. After the public hearing, City Council can act on the proposed amendment. The Superintendent of the Schools is authorized to transfer budget amounts within departments; however, any revisions that alter total budget amounts of any department must be approved by the School Board.
- All operating budget appropriations lapse at the end of the fiscal year to the extent that they are not expended or encumbered, with the exception of year-end carry-forward items approved by City Council.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets

- **Cash and Cash Equivalents**

The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

- **Investments**

Investments for the government as well as for its component units are reported at fair value. Interest earned by certain funds of the Schools and City Capital Projects Fund are allocated to the General Fund. All other interest is allocated to the fund which owns the underlying investments.

- **Receivables**

The City calculates its allowance for uncollectible accounts using historical collection data, and specific account analysis. Receivables are presented net of allowance for doubtful accounts. The allowance is composed of the following:

General Fund, property taxes and other receivables	\$	1,523,287
General Fund, ambulance receivables	\$	1,347,843
Enterprise Funds	\$	164,926

- **Inventory**

Inventory in the Water and Internal Service Funds is valued at cost using the first-in, first-out (FIFO) method. This inventory consists principally of spare parts and fuel held for consumption. The cost is recorded as an expense at the time individual inventory items are withdrawn for use.

- **Capital Assets**

Governmental funds: Capital outlays are recorded as expenditures on the fund basis and as assets on the government-wide financial statements to the extent the City's capitalization thresholds of \$5,000 for equipment and \$20,000 for buildings, infrastructure and land improvements is met. Infrastructure has been capitalized retroactively to 1980. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their fair market value on the date donated. Schools' buildings and other facilities are capital assets for the City government and not for the component unit.

Works of art, historical treasures, and similar assets have not been capitalized because of the following factors. The works of art at the City are held for public exhibition, education, or research in furtherance of public service, rather than financial gain. The collection is protected, kept unencumbered, cared for, and preserved. The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Proprietary Funds: Capital outlays of the proprietary funds are recorded as capital assets on both the fund basis and the government-wide basis. Capital assets are stated at cost or estimated original cost based on independent consultant studies, net of accumulated depreciation. Donated capital assets are recorded at their fair value at the date of receipt. Repairs and maintenance are charged to expense when incurred. When capital assets are sold or retired, the cost of the assets and the related accumulated depreciation are eliminated and a gain or loss is recognized.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets (Continued)

- **Capital Assets (Continued)**

The City follows the policy of capitalizing, during the period of construction, the net interest costs on funds borrowed to finance the construction of enterprise funds' capital assets. During FY2009, the enterprise funds incurred interest costs of \$3,117,458 of which \$12,762 was capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Land improvements	15-20
Buildings and improvements:	
New construction	30-40
Improvements	15-20
Infrastructure	30-50
Machinery and equipment	5-10

- **Deferred Revenue**

Deferred revenue consists primarily of property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years.

- **Compensated Absences**

City employees accumulate vacation time depending upon their length of service up to a total of 288 hours. All outstanding vacation time is payable upon termination of employment. The current portions are recorded as liabilities in the governmental fund financial statements when they have matured as a result of employee resignations and retirements. In proprietary funds, both the expenses and the liabilities are recorded as benefits as earned. All vacation pay is accrued when incurred in the government-wide financial statements. Each operating fund is responsible for covering its share of vacation pay liability.

- **Arbitrage Rebate Liability**

The U.S. Treasury has issued regulations on calculating the rebate due the Federal government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the City temporarily invests the proceeds of tax exempt debt in securities with higher yields. The City treats the estimated rebate payable as a reduction of available financial resources in the fund that earned the arbitrage profit. Accordingly, interest earnings are reduced by the amount of the increase in the estimated rebate payable and a liability is reported in the appropriate fund.

- **Interfund Transactions**

The City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, or satisfy certain obligations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers and other charges between the enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Subsidies between funds are recorded as transfers.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets (Continued)

• Net Assets/Fund Equity

Net Assets in government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the fund financial statements, City funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

F. Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and reported revenues, expenditures and expenses. Actual results could differ.

Note 2. Cash and Investments

Deposits:

All City and School Board cash is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et. Seq.* of the *Code*, or covered by federal depository insurance.

Investments:

Investment Policy:

In accordance with the *Code* and other applicable law, including regulations, the City's Investment Policy (Policy) permits investments in Treasury Securities, agency securities, prime quality commercial paper, certificates of deposit maturing within one year and issued by domestic banks, banker's acceptances, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements, open-end investments, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). Pursuant to Sec. 2.1-234.7 of the *Code*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share). The Investment Policy specifies that no investment may have a maturity greater than one year from the date of purchase, unless matched to a specific cash flow.

Credit Risk:

As required by state statute or by the City, the Policy requires that commercial paper have a short-term debt rating of P-1 or higher by Moody's Investor Service and A-1 or higher by Standard & Poor's, provided that the issuing domestic corporation has a net worth of \$50 million and its long term debt is rated A or better by Moody's and Standard and Poor's. Banker's acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Open-end investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody's or Standard & Poor's. Repurchase agreements require that the counterparty be rated A or better by Moody's and Standard & Poor's.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 2. Cash and Investments

Investments: (Continued)

As of June 30, 51% of the portfolio was invested in “AAA” rated obligations, 12% was invested in “Aa1” rated securities, 2% was invested in “A1” rated securities, 3% was invested in “A” rated short-term notes, 3% was invested in “AA+” Municipal Obligations and 29% was invested in an “AAAm” rated LGIP fund. The portion of the portfolio that was rated “AAA”, had 7% invested in obligations guaranteed by the U.S. Government. All credit ratings presented in this paragraph are either Standard & Poor’s or Moody’s ratings.

Concentration of Credit Risk:

The Policy’s intent is for the City to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity. The Policy places a limit on the amount the City may invest in any single financial institution at no more than 50% of the City’s total investments.

As of June 30, investment types that exceed 5% of the portfolio were as follow:

<u>Investment Type</u>	<u>% of Portfolio</u>
Federal Home Loan Mtg Corp	7%
Federal Farm Credit Bank	7%
Federal National Mortgage Association	9%
Certificate of Deposits	14%
Federal Home Loan Bank	18%

Interest Rate Risk:

The Policy limits certain investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Agency securities must mature within five years of the date of purchase. Prime commercial paper must mature within 270 days of the date of purchase and banker’s acceptances must mature within 180 days of the date of purchase.

As of June 30, the carrying values and weighted average maturity were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity*</u>
Money Market Funds – LGIP	\$ 35,074,085	-
Repurchase Agreements	3,587,000	1
U.S. Treasury Bills	6,896,201	71
U.S. Treasury Notes	2,247,127	168
Federal Home Loan Mortgage Corporation	8,219,620	145
Federal National Mortgage Association	10,834,491	122
Federal Farm Credit Bank	8,552,861	232
Federal Home Loan Bank	22,656,471	102
Certificate of Deposits	17,795,609	166
Municipal Bonds	6,911,013	1,384
Total investments	<u>\$ 122,774,478</u>	
Portfolio weighted average maturity		164

* Weighted average maturity in days.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 2. Cash and Investments

Investments: (Continued)

Custodial Credit Risk:

The Policy requires that all investment securities shall be held in the safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, all investments are held in a bank's trust department in the City's name.

Restricted cash and temporary cash investments of the General and Enterprise Funds include certain deposits, unexpended bond proceeds and amounts related to the Passenger Facility Charge Program at the Airport. The Schools Component Unit's restricted cash and temporary cash investments consist of capital lease proceeds restricted for the purpose of acquiring school equipment.

The above items are reflected in the statements as follows:

	Primary Government	School Board Component Unit
Deposits and investments:		
Cash on hand	\$ 17,762	\$ 622
Deposits	650,023	1,666,973
Funds held in trust by others	-	83,589
Investments	113,774,546	8,999,932
	<u>\$ 114,442,331</u>	<u>\$ 10,751,116</u>
Statement of net assets:		
Cash and cash equivalents	\$ 34,956,594	\$ 10,003,138
Investments	76,373,461	-
Restricted cash and cash equivalents	2,515,529	664,389
Fiduciary fund cash and cash equivalents	596,747	83,589
	<u>\$ 114,442,331</u>	<u>\$ 10,751,116</u>

Note 3. Property Taxes

Real Estate taxes are levied on a fiscal year basis on July 1, the assessment date, and become a lien as of that date. Supplemental billings are processed through the current tax year to ensure timely recordation. Real estate taxes are payable in four quarterly installments on November 15, January 15, March 15, and May 15.

Personal property taxes are payable in two equal installments on June 5 and December 5. Additional billings for personal property acquisitions are due March 5 and September 5.

A penalty of 10% for late payment is assessed on the day after the due date and interest at the rate of 10% is assessed on unpaid balances beginning with the first day of the month following the due date. The City bills and collects its own property taxes.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2009

Note 4. Interfund Receivables, Payables and Transfer

Interfund balances at June 30 were as follows:

	Interfund Receivables	Interfund Payables
Major Fund:		
General	\$ 1,665,106	\$ 52,427
Major Fund – Capital Projects:		
City Capital Projects	6,250,689	72,523
Non major Funds – Special Revenue:		
City Federal/State Aid	2,120	659,972
Community Development Block Grant	-	384,495
Forfeited Assets	-	250
Comprehensive Services Act	-	190,005
Home Investment Trust	-	235,402
Detention Home	50,307	113,478
Non major Capital Fund:		
School Capital Projects	-	4,872,745
Major Proprietary Funds:		
Water	-	129,770
Sewer	-	83,062
Airport	-	1,151,354
Internal Service	-	22,739
	<u>\$ 7,968,222</u>	<u>\$ 7,968,222</u>

Interfund receivables for governmental funds primarily represent advances to special revenue funds and proprietary funds to be repaid with future grant revenues.

Interfund transfers were as follows:

	To	From
Major Fund:		
General	\$ 6,450,066	\$ 8,673,819
Non Major Funds – Special Revenue:		
City Federal/State Aid	148,155	1,377
Museum System	-	14,081
Law Library	-	41,676
Forfeited Assets	1,377	611
Technology Services	782,113	-
Baseball Stadium	352,795	-

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2009

Note 4. Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers were as follows: (Continued)

	<u>To</u>	<u>From</u>
Major Fund – Capital Projects		
City Capital Projects	\$ 17,300,683	\$ 112,557
Non major Fund – Capital Projects		
School Capital Projects	162,010	-
Major Proprietary Funds:		
Solid Waste Management	-	16,494,268
Airport	295,850	-
Internal Service	1,164,853	-
	<u>\$ 26,657,902</u>	<u>\$ 25,338,389</u>

Transfers between major funds (general, city capital projects and proprietary) and other nonmajor governmental funds were primarily to support capital projects, operations and the purchase of fleet vehicles and equipment.

During FY2009, the City sold its Landfill to the newly created Region 2000 Services Authority. After the sale of the Landfill, the City closed the Solid Waste Management Enterprise Fund into the General Fund. The interfund transfer from the Solid Waste Management Fund includes capital assets of \$1,472,735, general obligation debt of \$2,742,231, and other long term liabilities of \$50,017. These items do not constitute current financial resource flows; therefore, they are not reported in the General Fund and as a result create a variance between interfund transfers at the fund level of \$1,319,513.

Note 5. Due From/To Primary Government and Component Units

Due from/to balances between the City and its component units at June 30, were as follows:

	<u>Due From</u>	<u>Due To</u>
Primary Government:		
Major Funds:		
General Fund	\$ 318,744	\$ -
Non major Funds – Special Revenue:		
Lynchburg Business Development Centre Fund	125,000	-
	<u>\$ 443,744</u>	<u>\$ -</u>
Component Units:		
Lynchburg City Schools	\$ -	\$ 291,733
Business Development Centre, Inc.	-	125,000
Greater Lynchburg Transit Company	-	27,011
	<u>\$ -</u>	<u>\$ 443,744</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 6. Due From Other Governments

Amounts due from other governments at June 30 were as follows:

	Primary Government		Component Units	
	Governmental Activities	Business-type Activities	Schools	Others
Various federal and state grants	\$ 5,933,080	\$ 2,241,887	\$ 4,353,336	\$ 275,870
Virginia Revolving Loan	-	31,355,076	-	-
Members of Regional Sewage Treatment Plant	-	4,339,997	-	-
	<u>\$ 5,933,080</u>	<u>\$ 37,936,960</u>	<u>\$ 4,353,336</u>	<u>\$ 275,870</u>

Due from members of the Regional Sewage Treatment Plant:

Amounts due from members of the Regional Sewage Treatment Plant represent amounts due from Amherst County, the Bedford County Public Service Authority, and the Campbell County Utilities and Service Authority for their proportionate share (20%) of improvements to Joint-Use Facilities under a 1974 agreement (the "Agreement"). These Joint-Use Facilities are defined as the City's Regional Waste Water Treatment Plant and its immediately related treatment facilities used jointly by the City and one or more of the members in connection with the transmission or treatment of wastes made the subject of the Agreement. The cost of improvements are billed to each member and recorded as contributed capital when related projects are completed. Pursuant to Section VI (b) of the Agreement, each member shall have the option of paying its proportionate share of the cost of projects either in cash or on a deferred payment schedule coinciding with the period over which the City's bonds are amortized, plus interest at the rate equivalent to the net interest cost to the City. Future payments to be received are as follows:

Amount receivable within 1 year	\$ 388,888
Amount receivable 1 to 5 years	1,921,812
Amount receivable beyond 5 years	<u>2,029,297</u>
	<u>\$ 4,339,997</u>

Note 7. Receivables

Receivables as of June 30, net of allowances for uncollectible accounts are as follows:

	Taxes	Accounts	Other	Total
Major funds:				
General	\$ 9,440,723	\$ 6,079,449	\$ 922,703	\$ 16,442,875
City Capital Projects	-	-	818,013	818,013
Water	-	1,242,730	66	1,242,796
Sewer	-	2,151,799	34,161	2,185,960
Airport	-	31,145	63,274	94,419
Internal Service	-	-	54,013	54,013
Non major Governmental Funds	-	-	769,914	769,914
	<u>\$ 9,440,723</u>	<u>\$ 9,505,123</u>	<u>\$ 2,662,144</u>	<u>\$ 21,607,990</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 8. Capital Assets

Primary Government:

A summary of the changes in the City's capital assets for governmental activities is as follows:

Governmental Activities	Beginning Balances	Transfers and Additions	Transfers and Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 9,791,457	\$ 3,121,967	\$ 72,690	\$ 12,840,734
Construction in progress	14,182,827	31,997,011	9,543,333	36,636,505
Total capital assets, not being depreciated	23,974,284	35,118,978	9,616,023	49,477,239
Capital assets, being depreciated:				
Land improvements	16,231,565	388,452	-	16,620,017
Buildings and improvements	186,495,453	2,323,281	127,000	188,691,734
Infrastructure	198,055,993	6,885,234	-	204,941,227
Machinery and equipment	35,937,795	5,868,100	4,676,536	37,129,359
Total capital assets, being depreciated	436,720,806	15,465,067	4,803,536	447,382,337
Less – accumulated depreciation for:				
Land improvements	3,893,023	975,520	-	4,868,543
Buildings and improvements	89,568,245	5,493,643	127,000	94,934,888
Infrastructure	91,651,227	5,789,761	-	97,440,988
Machinery and equipment	19,475,081	3,538,923	3,331,524	19,682,480
Total accumulated depreciation	204,587,576	15,797,847	3,458,524	216,926,899
Total capital assets, being depreciated	232,133,230	(332,780)	1,345,012	230,455,438
Capital assets, net	\$ 256,107,514	\$ 34,786,198	\$ 10,961,035	\$ 279,932,677

Included above is property with a cost and net book value of \$9,590,304 and \$6,313,435, respectively, at June 30 financed by capital leases.

During FY2009, the City sold Landfill related assets to the newly created Region 2000 Services Authority. Included in this sale was Fleet Services fund equipment with a book value of \$1,134,292.

In addition, upon closing of the Solid Waste Management fund, the remaining capital assets in the fund were transferred to the City's General Fund and Fleet Services fund which are both reported as Governmental Activities. The book value of assets transferred include: \$846,165 of land and improvements, \$561,281 in building assets, \$153,522 of equipment and \$15,871 of infrastructure assets.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

Depreciation was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 658,689
Education	3,615,201
Judicial	206,786
Health and human services	434,116
Public safety	2,005,062
Public works	7,691,184
Community development	20,210
Cultural and recreational	802,456
	<hr/>
Total governmental activities	15,433,704
	<hr/>
Business-type activities:	
Water	115,377
Sewer	223,816
Airport	24,950
	<hr/>
Total business-type activities	364,143
	<hr/>
Total depreciation	\$ 15,797,847

The Fleet Internal Services Fund, whose assets are reported as a part of the City's governmental assets, purchases vehicles that are used by the City's Enterprise Funds. Depreciation related to those vehicles is allocated to the Enterprise Funds. In prior years, the City Capital Projects fund, on occasion, would construct assets that were used primarily by the Enterprise Funds. Depreciation on these assets is also allocated to the Enterprise Funds. The \$364,143 of business type depreciation reflected above is the allocation of this depreciation and is not reflected on the business type activities asset information reported below.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 8. Capital Assets (Continued)

Primary Government: (Continued)

A summary of the changes in the City's capital assets for business-type activities is as follows:

Business-type Activities	Beginning Balances	Transfers and Additions	Transfers and Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 5,822,060	\$ 423,830	\$ 1,459,391	\$ 4,786,499
Construction in progress	24,707,915	22,888,902	35,137,506	12,459,311
Total capital assets, not being	30,529,975	23,312,732	36,596,897	17,245,810
Capital assets, being depreciated:				
Land improvements	15,800,825	-	3,397,184	12,403,641
Buildings and improvements	39,958,014	8,978,091	992,497	47,943,608
Infrastructure	291,544,191	25,516,334	9,334,165	307,726,360
Machinery and equipment	10,796,608	578,077	2,040,329	9,334,356
Capitalized interest	5,695,273	12,762	388,153	5,319,882
Total capital assets, being	363,794,911	35,085,264	16,152,328	382,727,847
Less – accumulated depreciation for:				
Land improvements	13,105,504	337,468	2,564,609	10,878,363
Buildings and improvements	16,793,514	1,150,060	390,849	17,552,725
Infrastructure	80,291,827	6,438,011	5,273,234	81,456,604
Machinery and equipment	8,155,736	401,630	1,621,679	6,935,687
Capitalized interest	1,298,045	106,142	99,581	1,304,606
Total accumulated depreciation	119,644,626	8,433,311	9,949,952	118,127,985
Total capital assets, being	244,150,285	26,651,953	6,202,376	264,599,862
Capital assets, net	\$ 274,680,260	\$ 49,964,685	\$ 42,799,273	\$ 281,845,672

During FY2009, the City sold landfill related assets to the newly created Region 2000 Services Authority. The book value of assets sold to the authority include: \$4,045,060 in infrastructure assets, \$1,445,801 in land and improvements, \$265,128 of equipment and \$40,368 in building assets. Additionally, as a result of closing the Solid Waste Management fund, capitalized interest assets with a book value of \$288,572 were written off.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements

As of June 30, 2009

Note 8. Capital Assets (Continued)

Component Units:

A summary of changes in the capital assets of the Schools is as follows:

<u>Lynchburg City Schools</u>	<u>Beginning Balances</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balances</u>
Capital assets, being depreciated				
Equipment	\$ 6,862,255	\$ 617,685	\$ 212,190	\$ 7,267,750
Equipment – Cafeteria	548,463	89,357	-	637,820
Total capital assets, being depreciated	7,410,718	707,042	212,190	7,905,570
Less – accumulated depreciation for:				
Equipment	4,449,289	480,487	212,190	4,717,586
Equipment – Cafeteria	405,786	39,111	-	444,897
Total accumulated depreciation	4,855,075	519,598	212,190	5,162,483
Capital assets, net	<u>\$ 2,555,643</u>	<u>\$ 187,444</u>	<u>\$ -</u>	<u>\$ 2,743,087</u>

Included above is property with a cost and net book value of \$2,946,034 and \$1,901,809, respectively, at June 30 financed by capital leases.

Details of capital assets of other Component Units are as follows:

Land, buildings, and improvements	\$ 2,331,487
Machinery and equipment	17,890,168
	<u>20,221,655</u>
Less accumulated depreciation	8,923,063
	<u>\$ 11,298,592</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 9. Long-Term Liabilities

General Obligation Debt:

	Interest Rates (%)	Date Issued	Final Maturity	Original Issue	Primary Government			Total All Funds	
					Public Improvements	School Facilities	Proprietary Funds		
Bond Anticipation Note									
Public Improvement-Line of Credit for Five Years	Variable- LIBOR- Max 6.00	03/27/2008	2013	\$ 15,000,000	\$ -	\$ 7,500,000	\$ 4,000,000	\$ 11,500,000	
State Literary Fund Loans									
Virginia Department of Treasury	4.00	07/01/1990	2011	372,412	-	30,412	-	30,412	
Serial Bonds									
VPSA General Obligation	4.90-6.35	11/12/1992	2013	458,292	-	108,328	-	108,328	
VA Resources Authority	0.00	03/24/1994	2027	3,976,369	-	-	2,205,451	2,205,451	
VPSA General Obligation	6.10-6.60	11/22/1994	2015	2,100,362	-	740,460	-	740,460	
Public Improvement	4.60-5.40	06/01/1999	2019	17,820,000	3,658,824	1,369,843	3,146,333	8,175,000	
Public Improvement	5.30-5.60	07/01/2000	2010	14,405,000	268,042	95,358	211,600	575,000	
Public Improvement	3.50-4.88	08/01/2001	2032	14,620,000	949,258	1,285,742	8,625,000	10,860,000	
VPSA General Obligation	3.10-5.10	11/15/2001	2022	3,473,329	-	2,349,848	-	2,349,848	
VPSA General Obligation	2.35-4.85	11/07/2002	2023	6,513,732	-	4,687,512	-	4,687,512	
Public Improvement									
Refunding	2.00-5.00	02/01/2003	2014	23,670,000	2,590,105	198,630	2,441,265	5,230,000	
Public Improvement	2.50-4.70	02/01/2003	2033	16,745,000	5,780,000	1,810,000	4,795,000	12,385,000	
Public Improvement	3.00-5.00	06/01/2004	2034	28,160,000	8,050,000	8,025,000	6,560,000	22,635,000	
Public Improvement									
Refunding	3.00-5.25	03/16/2005	2030	33,105,000	12,390,885	7,580,160	9,638,955	29,610,000	
Taxable Refunding	3.90-4.86	03/16/2005	2014	3,810,000	-	2,800,000	-	2,800,000	
VPSA General Obligation	4.60-5.10	11/10/2005	2026	6,411,957	-	5,565,634	-	5,565,634	
Public Improvement	4.00-5.00	05/09/2006	2026	23,840,000	13,683,008	5,396,448	2,360,544	21,440,000	
Public Improvement	4.00-5.00	08/02/2007	2038	33,300,000	14,627,952	-	17,792,048	32,420,000	
Public Improvement									
Refunding	2.93	03/19/2008	2015	8,000,000	2,198,644	2,055,032	2,800,324	7,054,000	
					\$ 64,196,718	\$ 51,598,407	\$ 64,576,520	\$ 180,371,645	

Bonds issued between 1992 and 2009 are callable subject to a maximum premium of 2%.

Authorized and unissued general obligation public improvement bonds amounted to \$23,473,043 at June 30, 2009.

The Constitution of Virginia, Article VII, Section 10(a) sets forth the City's legal debt limit at ten percent (10%) of its real estate assessed valuation for the City's issuance of any bonds or other interest-bearing obligations. As of June 30, the City's aggregate general obligation indebtedness was \$180,371,645 and less than the state limit. In December 2006, City Council amended the Debt Management Policy, which limited tax-supported debt to four and a half percent (4.5%) of its assessed valuation of real estate subject to taxation. There are no overlapping tax jurisdictions.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 9. Long-Term Liabilities (Continued)

Revenue Debt:

	Interest Rates %	Date Issued	Final Maturity	Original Issue	Sewer Fund
Virginia Resources Authority:					
Public Utility Revenue Bonds	0.00	03/28/1995	2027	\$ 6,571,207	\$ 3,110,819
Public Utility Revenue Bonds	0.00	08/10/1995	2029	10,000,000	5,432,540
Public Utility Revenue Bonds	0.00	06/27/1996	2029	8,000,000	4,205,319
Public Utility Revenue Bonds	3.00	07/17/1997	2020	14,108,460	8,767,329
Public Utility Revenue Bonds	0.00	07/17/1997	2030	7,591,540	4,641,770
Public Utility Revenue Bonds	0.00	08/01/1998	2031	6,203,000	4,066,373
Public Utility Revenue Bonds	3.00	06/02/1999	2020	2,476,763	1,536,168
Public Utility Revenue Bonds	0.00	09/02/1999	2021	5,300,000	3,347,368
Public Utility Revenue Bonds	0.00	03/15/2001	2032	735,000	516,710
Public Utility Revenue Bonds	3.50	06/08/2001	2021	2,835,000	2,027,516
Public Utility Revenue Bonds	0.00	11/06/2001	2034	1,413,613	1,097,946
Public Utility Revenue Bonds	0.00	09/15/2003	2036	2,350,165	2,034,609
Public Utility Revenue Bonds	0.00	05/20/2004	2038	6,000,000	5,500,000
Public Utility Revenue Bonds	0.00	05/17/2005	2038	6,700,000	6,253,333
Public Utility Revenue Bonds	0.00	06/28/2006	2039	9,600,000	9,440,000
Public Utility Revenue Bonds	0.00	06/20/2007	2039	7,000,000	7,000,000
Public Utility Revenue Bonds	0.00	06/05/2008	2041	12,350,000	12,350,000
Public Utility Revenue Bonds	0.00	06/25/2009	2041	19,000,000	19,000,000
					<u>\$ 100,327,800</u>

The revenue bonds have been issued in accordance with the terms of an indenture agreement with the Virginia Resources Authority (VRA) of the Commonwealth of Virginia. The indenture agreement requires the City to pledge its Sewer Fund Revenues as collateral for the revenue bonds and to maintain debt coverage in the Sewer Fund equal to at least 1.15 of all debt service payments which exclude any refunded principal payments. As shown in the Supplementary Statistical Table 21, the debt coverage ratio for the year ended June 30 was 1.51.

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance	Current Portion
Governmental Activities					
Bond anticipation note-line of credit	\$ 1,343,389	\$ 6,156,611	\$ -	\$ 7,500,000	\$ -
General obligation bonds*	117,407,162	2,721,441	8,118,033	112,010,570	9,234,580
Notes payable**	2,840,000	-	180,000	2,660,000	180,000
State literary fund loans	49,412	-	19,000	30,412	19,000
Adjust for deferred amounts:					
Issuance premiums*	2,211,390	114,075	139,509	2,185,956	-
Upon refunding*	(1,419,743)	(93,285)	(177,598)	(1,335,430)	-
Total bonds and notes	122,431,610	8,898,842	8,278,944	123,051,508	9,433,580
Workers' compensation	797,737	957,221	848,719	906,239	105,506
Compensated absences	4,119,136	2,837,907	2,834,740	4,122,303	684,877
Other postemployment benefits	1,768,605	3,669,543	3,064,375	2,373,773	-
Capital lease obligations	6,316,193	-	512,046	5,804,147	530,955
	<u>\$ 135,433,281</u>	<u>\$ 16,363,513</u>	<u>\$ 15,538,824</u>	<u>\$ 136,257,970</u>	<u>\$ 10,754,918</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 9. Long-Term Liabilities (Continued)

Primary Government

	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance	Current Portion
Business-Type Activities					
Bond anticipation notes	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -
General obligation bonds*	63,550,336	-	6,719,673	56,830,663	4,062,442
Public utility revenue bonds	84,425,645	19,000,000	3,097,845	100,327,800	3,520,797
Adjust for deferred amounts:					
Issuance discounts	(62,117)	-	(18,154)	(43,963)	-
Issuance premiums*	867,777	-	186,942	680,835	-
Upon refunding*	(933,444)	-	(249,280)	(684,164)	-
Total bonds and notes payable	147,848,197	23,000,000	9,737,026	161,111,171	7,583,239
Workers' compensation	115,800	35,730	71,793	79,737	9,568
Compensated absences	411,884	339,414	334,586	416,712	71,223
Other postemployment benefits	161,490	272,510	247,305	186,695	-
Landfill – open landfill	3,574,608	-	3,574,608	-	-
	<u>\$ 152,111,979</u>	<u>\$ 23,647,654</u>	<u>\$ 13,965,318</u>	<u>\$ 161,794,315</u>	<u>\$ 7,664,030</u>

* Governmental activities additions identified with an asterisk (*) are due to the transfer of Solid Waste Management Fund's operations to the Regional 2000 Services Authority, resulting in the transfer of outstanding general obligation debt to the General Fund. These amounts identified in the governmental activities additions are included in the business-type activities as deletions.

**A note receivable was obtained concurrent with the issuance of this note payable. Neither instrument constituted a source or a use of current financial resources; therefore, they are not reflected in the fund statements. The note receivable is included in other assets on Exhibit 1.

Debt Service to Maturity:

Year Ending June 30	Governmental Activities					
	Governmental General Obligation		Literary Fund Loans		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 9,234,580	\$ 4,984,757	\$ 19,000	\$ 1,216	\$ 530,955	\$ 211,321
2011	9,240,215	4,618,958	11,412	456	550,101	192,175
2012	8,517,889	4,263,735	-	-	437,790	172,336
2013	8,600,315	3,888,507	-	-	314,277	158,398
2014	8,158,370	3,507,351	-	-	326,391	146,285
2015-2019	33,508,629	12,279,579	-	-	1,830,647	532,729
2020-2024	23,492,673	5,600,667	-	-	1,813,986	156,144
2025-2029	10,552,474	1,164,919	-	-	-	-
2030-2034	705,425	71,120	-	-	-	-
2035-2039	-	-	-	-	-	-
2040-2041	-	-	-	-	-	-
Total	<u>\$ 112,010,570</u>	<u>\$ 40,379,593</u>	<u>\$ 30,412</u>	<u>\$ 1,672</u>	<u>\$ 5,804,147</u>	<u>\$ 1,569,388</u>

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 9. Long-Term Liabilities (Continued)

Debt Service to Maturity: (Continued)

Year Ending June 30	Business-Type Activities							
	General Obligation				Revenue Bonds			
	Water Fund		Airport Fund		Sewer Fund		Sewer Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 1,703,875	\$ 1,191,916	\$ 254,716	\$ 77,609	\$ 2,103,851	\$ 1,138,875	\$ 3,520,797	\$ 372,550
2011	1,668,318	1,123,470	255,141	67,243	2,103,588	1,061,191	3,757,168	342,012
2012	1,417,069	1,062,769	190,327	58,141	1,757,860	991,126	4,627,820	310,527
2013	1,426,700	1,003,211	196,083	50,305	1,759,308	924,138	4,660,283	278,064
2014	1,309,038	943,059	180,758	43,210	1,557,397	856,864	4,693,753	244,593
2015-2019	5,642,045	3,858,003	538,447	123,652	6,440,604	3,377,843	24,008,356	683,378
2020-2024	3,597,946	2,792,754	198,387	50,578	4,058,597	2,312,106	18,023,170	26,118
2025-2029	3,886,612	1,940,073	92,805	6,663	3,816,003	1,510,710	15,168,628	-
2030-2034	3,857,352	986,409	-	-	3,072,838	664,877	10,903,739	-
2035-2039	2,322,530	214,785	-	-	1,422,468	131,603	9,079,920	-
2040-2041	-	-	-	-	-	-	1,884,166	-
Total	\$ 26,831,485	\$ 15,116,449	\$ 1,906,664	\$ 477,401	\$ 28,092,514	\$ 12,969,333	\$ 100,327,800	\$ 2,257,242

Notes Payable – Capital Projects Line of Credit, Bank (General Obligation Bond Anticipation Note):

On March 27, 2008, the City issued a five-year General Obligation Bond Anticipation Note and concurrently entered into a line of credit Financing Agreement with SunTrust Bank. The Agreement provided for borrowings of up to \$15,000,000 to provide interim financing for qualifying capital improvements. Interest on the unpaid principal is equal to the tax-exempt note rate defined in the Agreement and summarized here as: the one month London Interbank Offered Rate (LIBOR) times 0.77, plus 0.37%, for each calendar month; and, computed on a 360-day year basis up to a maximum of 6%. All outstanding amounts are due on March 27, 2013. There was \$10,156,611 of principal activity during FY 2009 of which \$6,156,611 was for Schools capital projects and \$4,000,000 was for Water capital projects. Along with the previous fiscal year outstanding amount of \$1,343,389 for School capital projects, this resulted in a total of \$11,500,000 outstanding at June 30, 2009.

August 13, 2009 General Obligation Bond Issue:

The City issued \$57,450,000 of General Obligation Public Improvement Bonds Series 2009A (\$17,230,000 Tax-Exempt), Series 2009B (\$27,420,000 Taxable-Build America Bonds), and Series 2009C (\$12,800,000 Tax-Exempt-Refunding Bonds) dated August 13, 2009 from its negotiated bond sale on July 29, 2009. The Series A and B Bonds were issued to fund general government, schools, water and sewer capital projects, and issuance costs. They were allocated as follows: \$8,315,000 for general government; \$17,610,000 for schools, including a current refunding on August 27, 2009, to permanently finance \$7,500,000 of interim financing through the line of credit; \$15,300,000 for water utilities, including a current refunding on August 27, 2009, to permanently finance \$4,000,000 of interim financing through the line of credit; and, \$3,425,000 for sewer utilities. Series C Refunding Bonds were issued to advance refund \$7,355,000 of the June 1, 1999 bonds and \$4,965,000 of the August 1, 2001 bonds. General government projects were financed for twenty years, while the schools, water and sewer projects were financed for thirty years. The final maturity date is August 1, 2039, with interest rates ranging from 0.57% to 6.61% and a total interest cost of 3.68%.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 9. Long-Term Liabilities (Continued)

Material Event Notice Filings:

The August 2, 2007 General Obligation Public Improvement Bond Issue has maturities on August 1 in years 2018 through 2027, and on August 1, 2032 and August 1, 2037, all of which are insured under a financial guaranty insurance policy issued by MBIA Insurance Corporation and purchased by the underwriter. During FY 2009, the City filed three notices of material events through DisclosureUSA in compliance with continuing disclosure requirements to the Municipal Securities Rulemaking Board and the Nationally Recognized Municipal Securities Information Repositories (NRMSIRS). All three notices were related to MBIA's ratings and correspondingly the rating of obligations insured by MBIA, including the Insured Bonds, to the extent based on the financial guaranty insurance policies issued by MBIA. The first notice filed on July 16, 2008, reported that the City had been advised of the withdrawal by Fitch Ratings and the downgrades by Moody's Investors Service from "AAA" to "A2" and Standard & Poor's Ratings Services from "AAA" to "AA". The second notice filed on February 4, 2009, reported that the City had been advised of the withdrawal by Fitch Ratings and the downgrades by Moody's Investors Service from "Aaa" to "Baa1" and by Standard & Poor's Ratings Services from "AAA" to "AA". The third notice filed on June 9, 2009, reported that the City had been advised of the withdrawal by Fitch Ratings and the downgrades by Moody's Investors Service from "Aaa" to "B3" with a developing outlook and by Standard & Poor's Ratings Services from "AAA" to "BBB+" with a negative outlook.

Virginia Public School Authority Pooled Bond Issue-Qualified School Construction Bonds:

On November 13, 2009, the City participated in a Virginia Public School Authority Taxable General Obligation Public Improvement Bond Issue. These were Qualified School Construction Bonds as part of the American Recovery and Reinvestment Act and issued as investor tax credit bonds with a 0% coupon. The City's portion of the pooled bond issue was \$10,255,000 with a final maturity on September 15, 2026. This partially financed new construction for Sandusky Middle School and removed this project from the State's Literary Loan Program.

Component Unit – Lynchburg City Schools:

The following is a summary of changes in other long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated absences	\$ 609,472	\$ 833,033	\$ 712,774	\$ 729,731	\$ 299,190
Capital lease obligations	2,366,348	1,000,000	947,970	2,418,378	920,923
Other postemployment benefits	522,228	429,859	-	952,087	-
	<u>\$ 3,498,048</u>	<u>\$ 2,262,892</u>	<u>\$ 1,660,744</u>	<u>\$ 4,100,196</u>	<u>\$ 1,220,113</u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 9. Long-Term Liabilities (Continued)

School Capital Leases:

Interest Rates	Date Issued	Final Maturity	Original Issue	Balance
3.55%	12/2008	12/2013	\$ 1,000,000	\$ 907,071
3.08	02/2005	02/2010	1,000,000	142,379
3.39	09/2005	09/2010	750,000	186,398
2.99	09/2004	09/2009	500,000	27,752
4.12	08/2006	08/2011	500,000	229,259
3.83	10/2006	10/2011	500,000	253,660
3.89	09/2007	09/2012	1,000,000	671,859
				<u>\$ 2,418,378</u>

Following is a summary of debt service to maturity:

Year Ending June 30	Capital Lease Obligations	
	Principal	Interest
2010	\$ 920,923	\$ 72,860
2011	642,489	44,357
2012	480,697	22,428
2013	265,237	8,262
2014	109,032	1,122
Total	<u>\$ 2,418,378</u>	<u>\$ 149,029</u>

Note 10. Landfill and Solid Waste Management Fund

The Region 2000 Services Authority (RSA) began owning and operating the Lynchburg landfill on July 1, 2008. The Members of the Authority include the following: the counties of Appomattox, Campbell, Nelson and the cities of Bedford and Lynchburg. The partnership was created after extensive study and analysis, with the Member Jurisdictions determined that it would be more economical and efficient to form a regional authority than to operate separate landfills and to operate in a coordinated manner to provide the long-term solid waste disposal of the region. The Member Jurisdictions and the RSA negotiated terms on which Lynchburg and Campbell would convey title to the Lynchburg facility and the Campbell facility to the RSA. The purchase price for each facility was based on a calculation of the net assets and liabilities of each facility as determined by a third party consultant. The assets included the site improvements, the landfill capacity and land, the pertinent buildings, the equipment and rolling stock, and the closure and post-closure reserve funds. The liabilities included outstanding debt and the cost of closure and post-closure for the portion of the facility that had been used prior to the transfer.

The City of Lynchburg sold its landfill assets (equipment, buildings and land) to the Region 2000 Services Authority on July 1, 2008. The City realized payments as follows: \$1,414,884 for equipment, \$36,069 for buildings, \$4,291,514 for landfill capacity and land, and \$1,501,013 for site improvements.

The City closed approximately 10.2 acres of the active landfill prior to the conveyance. The City transferred \$2,997,103 for their share of the closure of the remaining acreage and the RSA assumed all liabilities and responsibilities as detailed in the Member Use Agreement. The City will be responsible for reimbursing the RSA for any increase in costs for closure of the portion attributable to the City's activities prior to July 1, 2008.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 10. Landfill Closure and Post-closure Care Costs (Continued)

In accordance with the sale of the City's landfill to the RSA, the City closed the Solid Waste Management fund and transferred all remaining assets and liabilities to the governmental funds. Total transfers of \$16,494,268 were made to the General fund, City Capital Projects fund, City/Federal/State Aid fund and the Fleet fund.

The refuse and recycling programs formerly a part of the Solid Waste Management fund are now a part of the Public Works division in the General Fund.

Note 11. Fund Equity Balances

Designated Fund Balance: Designations of fund balance are established to indicate tentative plans for financial resource utilization in a future period. Designations of fund balance are as follows:

	General	Special Revenue	Capital Projects
Self insurance and other insurance matters	\$ 2,762,868	\$ -	\$ -
Technology	197,962	-	-
Return of fiscal year 2009 funds to schools	291,733	-	-
Health Insurance	287,000	-	-
Completion of other specific projects and activities	-	417,744	352,062
Law Library	41,676	-	-
Museum	14,082	-	-
Recreation Programs	172,859	-	-
Detention Home – Workers Compensation	40,000	-	-
Detention Home – Capital Needs	150,000	-	-
Detention Home – Prevention Initiative	50,000	-	-
Local Aid to the Commonwealth	314,108	-	-
Public Works	39,925	-	-
Debt Service	4,529,947	-	-
Schools – Budget Balancing	440,608	-	-
Schools – Textbooks	1,059,392	-	-
Schools – Health Insurance	1,000,000	-	-
Schools – Future Expenditure Needs	75,908	-	-
Other Post Employment Benefits (OPEB)	510,529	-	-
	<u>\$ 11,978,597</u>	<u>\$ 417,744</u>	<u>\$ 352,062</u>

Deficit Fund Balances: At June 30, the Lynchburg Expressway Appearance Fund, the Home Investment Trust Fund and the School Capital Projects Fund had deficit fund balances.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 12. Employee Benefit Plans

Defined Benefit Pension Plan:

Plan Description: The City contributes to the Virginia Retirement System (“VRS”), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (“the System”). In addition, professional and non-professional employees of the Schools are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the agency multiple-employer retirement system.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs). This benefit is payable monthly for life in an amount equal to 1.7 percent of their average final compensation (“AFC”) for each year of credited service for eligible employees, and 1.85 percent for sheriffs and other employees deemed by the employer to be in a hazardous duty positions. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to their unreduced Social Security eligibility age. The VRS also provides death and disability benefits.

Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The system issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded at their website, <http://www.varetire.org/Pdf/Publications/2008annurept.pdf>, or obtained by writing the System at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy: Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The employer has assumed this 5% member contribution. In addition, the City and the Schools are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code* and approved by the VRS Board of Trustees. The City’s contribution rate for the fiscal year ended 2009 was 20.43% of annual covered payroll. The School’s contribution rates for the fiscal year ended 2009 were 13.81% for professional and 12.31% for non-professional employees. Both the City’s and the School’s contribution rates include the employee’s share of 5% paid by the employer.

Annual Pension Cost: For 2009, the City’s and Schools’ annual pension costs of \$10,340,018 and \$7,485,086, respectively, were equal to their required and actual contributions. The required contributions were determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 7.50% investment rate of return; (b) projected salary increases ranging from 3.50% to 5.60% per year (depending on the employee’s service and classification (general employee or uniformed officer)), and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City’s and Schools’ assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City’s and Schools’ unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 12. Employee Benefit Plans (Continued)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Trend Information for the City of Lynchburg			
June 30, 2009	\$ 10,340,018	100%	None
June 30, 2008	\$ 9,962,213	100%	None
June 30, 2007	\$ 9,439,534	100%	None
Trend Information for the Lynchburg City Schools			
June 30, 2009	\$ 7,485,086	100%	None
June 30, 2008	\$ 7,757,884	100%	None
June 30, 2007	\$ 7,094,119	100%	None

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date for the City, the plan was 74.50% funded. The actuarial accrued liability for benefits was \$270,546,947 and the actuarial value of assets was \$201,552,096, resulting in an unfunded actuarial accrued liability (UAAL) of \$68,994,850. The covered payroll (annual payroll of active employees covered by the plan) was \$49,236,962, and the ratio of the UAAL to the covered payroll was 140.13%.

As of June 30, 2008, the most recent actuarial valuation date for the Schools, the plan was 93.55% funded. The actuarial accrued liability for benefits was \$11,705,572 and the actuarial value of assets was \$10,950,127, resulting in an unfunded actuarial accrued liability (UAAL) of \$755,445. The covered payroll (annual payroll of active employees covered by the plan) was \$3,907,886, and the ratio of the UAAL to the covered payroll was 19.33%.

The schedules of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 13. Other Post Employment Benefits

The Governmental Accounting Standards Board ("GASB") has issued its Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Statement establishes standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. The cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The City and the Schools prospectively adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

City of Lynchburg

Plan Description

The City provides certain benefits for retired employees through a single-employer defined benefit plan. The City may change, add or delete benefits with City Council approval. The plan does not grant retirees vested health or dental coverage benefits.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 13. Other Post Employment Benefits (Continued)

City of Lynchburg (Continued)

Benefits Provided

The City provides post-employment health and dental benefits to its retirees, through its self insured health plan. Retirees may continue to participate in the group health and dental plans based upon the date of full time hire in accordance with the provisions outlined below.

- (1) Full time Classified employees hired on or after July 1, 1996 are currently eligible to participate in the City's health and dental plans at the retiree's expense when they retire directly from the City with at least fifteen (15) years of full time service with the City. The retiree must pay the current premium value of the medical coverage.
- (2) Full time Classified employees hired on or after July 1, 1990 but before July 1, 1996 are currently eligible to participate in the City's health and dental plans and receive City contributions for the coverage when they retire directly from the City with at least fifteen (15) years of full time service with the City and the retiree worked for the City five (5) of the fifteen (15) years immediately preceding retirement.
- (3) Full time Classified employees hired prior to July 1, 1990 are currently eligible for health and dental plan participation and receive City contributions for their coverage when they retire directly from the City.

The City does not provide prescription coverage for Medicare eligible retirees.

Membership

The number of participants at June 30, 2009 was as follows:

Actives	1,298
Retires	464
Spouses	<u>153</u>
Total Participants	<u><u>1,915</u></u>

The City has one terminated employee entitled to benefits but not yet receiving benefits.

Funding Policy

The City currently funds postemployment health care benefits on a pay-as-you-go basis. During FY 2009, the City designated \$250,000 for the OPEB liability. Total funds designated for OPEB at June 30, 2009 including interest are \$510,529. The City is exploring the possibility of developing a trust to accumulate and invest assets necessary to pay for the accumulated liability.

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

The following table shows the elements of the City's annual OPEB cost for the year and the changes in the City's net OPEB obligation for the fiscal year ended June 30, 2009.

Annual required contribution	\$ 3,646,000
Interest on net OPEB obligation	246,000
Adjustment to annual required contribution	<u>1,000</u>
Annual OPEB cost	3,893,000
Contributions made	<u>(3,262,627)</u>
Increase in net OPEB obligation	630,373
Net OPEB obligation-beginning of year	<u>1,930,095</u>
Net OPEB obligation-end of year	<u><u>\$ 2,560,468</u></u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 13. Other Post Employment Benefits (Continued)

City of Lynchburg (Continued)

Annual Other Postemployment Benefit Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 2008 and FY 2009 are as follows. Since the City's first year for implementing GASB 45 was FY 2008, the City cannot report the same information for FY 2007.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2008	\$4,062,551	52.5%	\$1,930,095
06/30/2009	\$3,893,000	83.8%	\$2,560,468

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009 was as follows:

Actuarial Accrued Liability (AAL)	\$50,541,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	50,541,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	50,839,048
UAAL as a Percentage of Covered Payroll	99.41%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used to develop the AAL and the Normal Cost. Under this method, the postretirement health costs are assumed to be earned ratably from date of hire to the participant's full eligibility age (age 50 or older with 15 or more years of service). The actuarial assumptions used a 6.75% discount rate and an initial annual healthcare cost trend of 10% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5.5%. The unfunded actuarial accrued liability is being amortized over 30 years using the Level Percentage of Pay method. The remaining amortization period at June 30, 2009 is 28 years.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 13. Other Post Employment Benefits (Continued)

Lynchburg City Schools

Plan Description

The Schools provide certain benefits for retired employees through a single-employer defined benefit plan. The Schools may change, add or delete benefits (including contributions required of retired employees) with School Board approval.

Benefits Provided

The Schools provide post-employment medical, dental and vision benefits to its retirees and their eligible dependents who elect to stay in the plans. At retirement, retirees may stay in one of two PPO plans with an additional choice of prescription drug benefits and can continue coverage under all the benefits until age 65. The retiree pays the premium for these benefits.

Participants are eligible for the plan when they are eligible to retire under the provisions of the Virginia Retirement System and they have worked for Lynchburg City Schools for ten continuous years. The earliest retirement age is at age 50 with 10 years of service, except for those eligible to elect the Early Retirement Incentive Plan as described below.

Early Retirement Incentive Plan

Under an early retirement incentive plan adopted by the School Board in April 2009, the Schools will pay the employer-only low option medical plan for an eligible retiree. Employees are eligible for this early retirement incentive plan upon reaching twenty-five (25) years of Virginia Retirement System service and ten (10) continuous years of employment with Lynchburg City Schools immediately preceding retirement. The benefit is payable for five (5) years or until age 65, whichever occurs first.

Membership

The number of participants at June 30, 2009 was as follows:

Active participants	1,340
Inactive participants	<u>145</u>
Total	<u><u>1,485</u></u>

Funding Policy

The Schools currently fund postemployment health care benefits on a pay-as-you-go basis. The Schools do not intend to establish a trust to pre-fund this liability.

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2009, the School's annual OPEB cost (expense) of \$689,177 was equal to the Annual Required Contribution (ARC). The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$259,318 for retirees, resulted in a Net OPEB obligation of \$952,087 for the year ended June 30, 2009.

Annual required contribution	\$ 697,326
Interest on net OPEB obligation	20,889
Adjustment to annual required contribution	<u>(29,038)</u>
Annual OPEB cost	689,177
Contributions made	<u>(259,318)</u>
Increase in net OPEB obligation	429,859
Net OPEB obligation-beginning of year	<u>522,228</u>
Net OPEB obligation-end of year	<u><u>\$ 952,087</u></u>

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 13. Other Post Employment Benefits (Continued)

Lynchburg City Schools (Continued)

Annual Other Postemployment Benefit Cost and Net OPEB Obligation (Continued)

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 2008 and FY 2009 are as follows. Since the School's first year for implementing GASB 45 was FY 2008, the Schools cannot report the same information for FY 2007.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2008	\$659,063	20.8%	\$522,228
06/30/2009	\$689,177	37.6%	\$952,087

Funded Status and Funding Progress

The funded status of the plan is:

Actuarial Accrued Liability (AAL)	\$10,991,106
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	10,991,106
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	43,014,930
UAAL as a Percentage of Covered Payroll	25.55%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date. The actuarial assumptions used a 4% discount rate. The fresh start method of amortization for the unfunded actuarial accrued liability was used for each year.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 14. Leases

Lessee:

Operating leases have original terms from one month to 60 months and in certain instances allow cancellations if funds are not appropriated for each year's payments. At June 30, future minimum lease payments are as follows:

Year Ending June 30	Operating Leases	
	Primary Government	Component Unit – Schools
2010	\$ 308,960	\$ 427,937
2011	163,881	410,855
2012	103,209	388,479
2013	81,260	184,857
2014	66,119	45,872
2015-2019	253,980	43,283
2020-2024	63,488	-
	<u>\$ 1,040,897</u>	<u>\$ 1,501,283</u>

For 2009, the City incurred rental expenditures of \$326,994 in the General Fund, \$30,464 in the Special Revenue Funds, and rental expenditures of \$18,000 in the City Capital Projects Fund. For 2009, the Schools incurred rental expenditures of \$593,786.

Note 15. Risk Management

The Risk Management Programs of the City are as follows:

Workers' Compensation: The City is self-insured for workers' compensation claims. All settled claims are paid through the General Fund. The liability for worker's compensation claims, including an estimate of incurred but not reported claims based on prior experience, to be paid in the next fiscal year and in future years is reflected in the statement of net assets. Total claims paid for the year ended June 30 amounted to \$920,512.

General Liability and Other: The City is self-insured for general liability and automobile liability claims and purchases insurance coverage for risks related to property, boiler and machinery, surety bonds, and airport liability. City property is insured up to a limit of approximately \$302,000,000 per occurrence. Other liability policies provide up to \$60,000,000 coverage in the aggregate. Police professional liability and public officials' liability claims with a \$500,000 deductible per claim are covered through a policy with the States Self Insurance Risk Group. Total premiums for purchased coverage for the year ended June 30 were \$724,292. The City has designated a portion of its fund balance in the General Fund to fund future general liability claims. City management believes any incurred but not reported claims at June 30 would be insignificant.

Healthcare: The City's professionally administered self-insurance program provides healthcare coverage for employees and retirees of the City on a cost-plus basis. Dependents of employees and retirees are also covered by the program provided they pay a premium to the City. Under the program, the City is obligated for claims payments and administrative costs. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$225,000 per covered individual per contract year. For the year ended June 30, total claims expense of \$6,559,420 was incurred. Claims above the per individual limit that will be covered by the stop loss policy totaled approximately \$500,000. Administrative fees and stop loss premiums for the year ended June 30 totaled \$861,249. Estimated incurred, but not reported, claims at June 30 based on invoices received totaled \$900,000 and have been funded by the City.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 15. Risk Management (Continued)

Changes in aggregate liabilities were as follows:

		Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Workers' Compensation	2009	\$ 913,537	\$ 992,951	\$ 920,512	\$ 985,976
	2008	\$ 1,224,625	\$ 310,758	\$ 621,846	\$ 913,537
General/Automotive Liability	2009	\$ -	\$ 420,637	\$ 420,637	\$ -
	2008	\$ -	\$ 122,690	\$ 122,690	\$ -
Healthcare	2009	\$ 779,406	\$ 6,680,014	\$ 6,559,420	\$ 900,000
	2008	\$ 1,821,498	\$ 6,758,442	\$ 7,800,534	\$ 779,406

General/Automobile Liability and Healthcare are considered current liabilities and are included in accounts payable and accrued liabilities in the Statement of Net Assets. Workers' Compensation breakdown between current and noncurrent is shown in Note 9.

The Risk Management Programs of the Schools are as follows:

Workers' Compensation: The Schools is a member of the School System of Virginia for its workers' compensation claims. The membership is funded through the school operating budget.

General Liability and Other: The Schools carries commercial insurance for all risk of loss. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year.

Healthcare: The Schools' professionally administered self-insurance program provides healthcare coverage for employees and retirees of the Schools on a cost-plus basis. Dependents of employees and retirees are also covered by the program provided they pay a premium to the Schools. Under the program, the Schools are obligated for claims payments and administrative costs. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$150,000 per covered individual per contract year. For the year ended June 30, total claims expense of \$8,109,227, which did not exceed the stop loss provisions, was incurred. Administrative fees and stop loss premiums for the year ended June 30 totaled \$926,841. Estimated incurred, but not reported, claims at June 30 based on prior experience totaled \$947,620 and have been funded by the Schools.

Changes in aggregate liabilities were as follows:

		Beginning of Year	Claims and Reserves	Claim Payments	End of Year
Healthcare	2009	\$ 791,159	\$ 8,265,688	\$ 8,109,227	\$ 947,620
	2008	\$ 822,724	\$ 7,314,816	\$ 7,346,381	\$ 791,159

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 16. Significant Transactions of the City and Discretely Presented Component Unit – Schools

Certain transactions between the City and Schools are explained here to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements.

1. The Schools can neither levy taxes nor incur debt under Virginia law. Therefore, the City issues debt “on behalf” of the Schools. The debt obligation is recorded as a liability of the City’s governmental activities. The proceeds from such debt are recorded in the City’s General Fund. Funding in an amount equal to the proceeds is then provided to the Schools to pay for capital expenditures. Unspent funds at year-end are reported as deposits and investments of the City in the School Capital Projects Fund.
2. The City’s budgeting process provides funding in the General Fund for Schools debt service payments. GAAP requires that debt issued “on behalf” of the Schools and related debt service payments be reported by the City for financial reporting purposes. Therefore, debt service payments for Schools’ bonded debt is reported as part of the City for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Debt and related debt service for other than bonded debt is reported by the Schools.
3. If all economic resources associated with school activities were reported with the Schools, its total expenses/expenditures would be as follows:

Expenses of Schools – Component Unit (Exhibit 2)	\$ 99,288,832
Principal and other debt service expenses included in City	<u>5,526,279</u>
Total expenses/expenditures for School activities	<u><u>\$ 104,815,111</u></u>

Note 17. Commitments and Contingencies

Combined Sewer Overflow:

In 2000, the City completed an update of the Combined Sewer Overflow (“CSO”) program developed in 1989. The purpose was to reevaluate the conclusions and recommendations of the original program, prioritize remaining work, and provide a current cost estimate for this work. After detailed evaluation of a wide variety of control alternatives, the update concluded that sewer separation remained the most cost-effective CSO control option. Total cost to complete the program was estimated to be \$276,000,000 in 1999 dollars. Updated estimates indicate that the total remaining cost of CSO control work, including related work such as sewer replacement/rehabilitation, waterline replacement and street paving will total approximately \$337,000,000 in 2009 dollars.

In 1994, and with subsequent permit renewals, the Virginia Department of Environmental Quality (“VDEQ”) issued a sewage discharge permit and Special Order of Consent continuing the terms and conditions that will govern implementation of the City’s CSO program. The permit requires the City to implement the CSO long-term control plan and to undertake certain combined sewer management practices designed to minimize CSO discharge until the sewer system is completely separated. The order established a project priority listing for implementation of the CSO control plan.

The Special Order does not contain a strict compliance schedule for implementing the CSO control plan, but rather provides for implementation based on criteria reflecting the limits of the City’s financial capability. The Special Order requires the City to meet several specific criteria such as: maintaining a sewer operating fund debt coverage ratio within a range of 1.1 to 1.5; ensure sewer fund reserves equal no more than 25 percent of the subsequent years’ budgeted operating expenditures; and to maintain an average residential, yearly sewer bill equal to 1.25% of the median household income based on 7 hcf (hundred cubic feet) of use per month. The City is currently implementing the CSO control plan in accordance with the requirements of its permit and consent order. Further, the City is required by the Special Order to submit annual reports, including independent rate consultant reports to VDEQ on its compliance with the order and its progress with CSO control plan implementation. The current CSO Annual Report can be found at www.Lynchburgva.gov/cso under “status” link.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 17. Commitments and Contingencies (Continued)

Construction and Related Commitments:

At June 30, the City had outstanding commitments under various construction contracts totaling approximately \$47,646,000.

Grant Programs:

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as to being appropriate expenditures under terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Management believes disallowances, if any, related to such audits would not be material to the financial position of the City at June 30, 2009.

Lead Hazard Program:

The Lead Hazard Control grant remains under investigation by the Department of Housing and Urban Development (HUD). Management has not been notified of any disallowances pertaining to this particular grant, therefore Management cannot determine if an adjustment to the financial position of the City at June 30, 2009 is required. In addition, Management is unable to predict the estimated range of potential loss that could arise in future periods as a result of this investigation.

Arbitrage:

The City has certain debt instruments subject to arbitrage regulations. For the August 2, 2007 general obligation public improvement bond issue, the City did not spend sufficient funds to meet the 12-month IRS benchmark test; however, all proceeds were expended by August 2, 2009, the 24-month IRS benchmark test. As of June 30, 2009, the arbitrage rebate liability estimate was zero.

Lawsuits:

Seven current and former City Police Officers have been named in a lawsuit seeking \$12.5 million in damages. Two City Police Officers have been named in a lawsuit seeking \$1.5 million in damages. Both cases are currently in the discovery stage and the cases have not been set for trial. Any probable loss to the City is undetermined at this time. In accordance with the provisions of the City's Self-Insurance Program Plan Document, lawsuits filed against current and former City employees for actions that occurred in the performance of their official duties will be provided legal counsel. The City's self insurance fund and excess insurance carrier will cover any loss that may occur.

Two City employees and the City were named as defendants in a lawsuit seeking \$500,000 in damages. By order of the United States District Court entered on October 29, 2009, the lawsuit was dismissed. However, the plaintiff has the right to appeal the dismissal of the lawsuit. The likelihood of a successful appeal is slim. In accordance with the provisions of the City's Self-Insurance Program Plan Document, the City provided a defense for the employees in question because the actions giving rise to the lawsuit occurred in the performance of their official duties.

The City has been named in other lawsuits of which legal counsel believes will not result in any significant loss.

CITY OF LYNCHBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 18. Subsequent Events

Loan Agreement:

In 2004, the City entered into a contract with the U.S. Department of Housing and Urban Development (HUD) whereas the City is the borrower and HUD is the guarantor of a Section 108 loan (Note 9). With the funds borrowed from HUD, the City entered into a loan agreement with Bluffwalk Center L.P. (Bluffwalk). The City loaned Bluffwalk \$3,200,000 with payments required twice a year. Subsequent to year-end Bluffwalk did not make the August payment in the amount of \$251,086. This is the third payment that Bluffwalk failed to make. The City fulfilled its obligation to HUD by making the required payment using funds from the Community Development Block Grant (CDBG). The City expects to recover the funds for all three payments from Bluffwalk. Subsequent to year-end Bluffwalk entered into a payment arrangement with the City to repay, with interest, the funds the City has advanced to cover the missed payments.

Airport Authority:

During FY 2007, the Virginia General Assembly passed H.B. 2800, Virginia's Region 2000 Airport Authority Act (Act). The Act authorizes the City and the governing bodies of Amherst, Appomattox, Bedford, and Campbell to form an authority for the purpose of owning and managing an airport. A group consisting of the City Manager and several area County Administrators was formed to discuss forming an authority. Discussions are ongoing.

Land Purchase:

Subsequent to year-end, the City purchased land in the amount of \$700,000. This land purchase is part of the Midtown Connector project.

Note 19. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, provides specific guidance on the recognition, initial measurement, and amortization of intangible assets. Management has not yet evaluated the effects, if any, of adopting this standard, but does not expect them to be material. This statement will be effective for the year ending June 30, 2010.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this statement is that most of the derivative instruments covered in its scope will be reported at fair value. Management has not yet evaluated the effects, if any, of adopting this standard, but does not expect them to be material. This statement will be effective for the year ending June 30, 2010.

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplemental Information
Schedule of Funding Progress for Defined Benefit Pension Plan
As of June 30, 2009

Exhibit 12

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Lynchburg	June 30, 2008	\$ 201,552,096	\$ 270,546,947	\$ 68,994,850	74.50%	\$ 49,236,962	140.13%
	June 30, 2007	\$ 184,515,996	\$ 243,719,371	\$ 59,203,375	75.71%	\$ 43,077,273	137.44%
**	June 30, 2006	\$ 164,983,802	\$ 228,059,569	\$ 63,075,767	72.34%	\$ 44,982,744	140.22%

Lynchburg City Schools Non-professional Employees

June 30, 2008	\$	10,950,127	\$	11,705,572	\$	755,445	93.55%	\$	3,907,886	19.33%
June 30, 2007	\$	9,948,359	\$	11,082,613	\$	1,134,254	89.77%	\$	3,668,492	30.92%
June 30, 2006	\$	8,789,493	\$	9,724,497	\$	935,004	90.39%	\$	3,329,413	28.08%

** Per the Actuarial Valuation Report of VRS by Wachovia as of June 30, 2007. The AAL and Covered Payroll numbers have been revised from their June 30, 2006 report.

Required Supplemental Information
Schedule of Funding Progress for Other Post Employment Benefits
As of June 30, 2009

Exhibit 13

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Lynchburg	July 1, 2006	\$ -	\$ 56,995,144	\$ 56,995,144	0.00%	\$ 22,586,532	252.34%
	June 30, 2008	\$ -	\$ 50,541,000	\$ 50,541,000	0.00%	\$ 50,839,048	99.41%

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Lynchburg City Schools	June 30, 2008	\$ -	\$ 5,430,872	\$ 5,430,872	0.00%	\$ 46,747,520	11.62%
	June 30, 2009	\$ -	\$ 10,991,106	\$ 10,991,106	0.00%	\$ 43,014,930	25.55%

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OTHER SUPPLEMENTAL INFORMATION

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CITY OF LYNCHBURG, VIRGINIA

Nonmajor Governmental Funds
As of June 30, 2009

Nonmajor Governmental Funds:

Nonmajor governmental funds consist of special revenue and capital projects funds.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Funds in this category include:

- City Federal/State Aid Projects Fund – Accounts for various federal and state grants for such purposes as building projects, certain social service and community development programs, and public safety.
- Community Development Block Grant Fund – Accounts for revenues from the Department of Housing and Urban Development which are used for various development projects.
- Museum System Fund – Accounts for revenues received in support of the City's various museums.
- Lynchburg Business Development Centre Fund – Accounts for revenues received to support a local business incubator and for monies received from the Economic Development Administration for a revolving loan fund and certain other assistance.
- Detention Home Fund – Accounts for revenues received and expenditures made to support the operations of the City's Juvenile Detention Home.
- Law Library Fund – Accounts for fees received to support the operation of the Law Library.
- Forfeited Assets Fund – Accounts for revenues received from the sale of confiscated assets which are related to illegal drug sales and are used for law enforcement expenditures for drug related activities.
- Lynchburg Expressway Appearance Fund – Accounts for the revenues and expenditures associated with beautification of the Lynchburg Expressway Area.
- Comprehensive Services Act Fund – Accounts for revenues received and expenditures made to support the Comprehensive Services Act for At-Risk Youth and Families adopted by the Virginia General Assembly.
- Home Investment Trust Fund – Accounts for revenues received from the Department of Housing and Urban Development for support of affordable housing needs in the City.
- Technology Fund – Accounts for revenues received to support the acquisition of computer equipment and maintaining network equipment, servers, and the A/S 400.
- Baseball Stadium Fund – Accounts for revenues received from baseball activities at the Lynchburg City Stadium.

Capital Projects Funds account for all resources used for the acquisition or construction of capital facilities except those financed by Enterprise Funds and federal and state grants. The Fund in this category includes:

- School Capital Projects Fund – Accounts for budgeted capital projects approved by the Lynchburg City Schools related to educational activities.

CITY OF LYNCHBURG, VIRGINIA

EXHIBIT A-1

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	<u>Total Nonmajor Special Revenue</u>	<u>Total Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental</u>
Assets			
Cash and cash equivalents	\$ 1,772,662	\$ 3,730,446	\$ 5,503,108
Investments	2,509,529	-	2,509,529
Receivables, net of allowance			
Other	769,914	-	769,914
Due from other funds	52,427	-	52,427
Due from component unit	125,000	-	125,000
Due from other governments	2,326,078	-	2,326,078
Other assets	213	-	213
Total assets	<u>\$ 7,555,823</u>	<u>\$ 3,730,446</u>	<u>\$ 11,286,269</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 761,081	\$ 4,483,133	\$ 5,244,214
Accrued liabilities	86,661	-	86,661
Due to other governments	2,742	-	2,742
Due to other funds	1,583,602	4,872,745	6,456,347
Deferred revenue	462,528	-	462,528
Total liabilities	<u>2,896,614</u>	<u>9,355,878</u>	<u>12,252,492</u>
Fund balances (deficits)			
Reserved for:			
Encumbrances	395,242	11,322,292	11,717,534
Unreserved, reported in special revenue			
Designated for:			
City Federal State Aid Fund	52,154	-	52,154
Forfeited Assets Fund	289,204	-	289,204
Detention Home Fund	76,386	-	76,386
Undesignated	3,846,223	-	3,846,223
Unreserved, reported in capital projects			
Undesignated	-	(16,947,724)	(16,947,724)
Total fund balances (deficits)	<u>4,659,209</u>	<u>(5,625,432)</u>	<u>(966,223)</u>
Total liabilities and fund balances	<u>\$ 7,555,823</u>	<u>\$ 3,730,446</u>	<u>\$ 11,286,269</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	<u>Total Nonmajor Special Revenue</u>	<u>Total Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental</u>
Revenues			
Taxes	\$ 32,961	\$ -	\$ 32,961
Intergovernmental	12,073,847	214,122	12,287,969
Revenue from use of money and property	995,932	-	995,932
Charges for services	4,189,585	-	4,189,585
Miscellaneous	794,173	-	794,173
Total revenues	<u>18,086,498</u>	<u>214,122</u>	<u>18,300,620</u>
Expenditures			
Current operating expenditures			
General government	636,275	-	636,275
Judicial	1,043,769	-	1,043,769
Public safety	5,400,945	-	5,400,945
Public works	35,918	-	35,918
Health and human services	6,567,624	-	6,567,624
Cultural and recreational	1,701,512	-	1,701,512
Community development	1,137,514	-	1,137,514
Education	-	10,860	10,860
Capital outlay			
Capital general government	122,949	16,285,441	16,408,390
Debt Service			
Principal retirements	429,558	-	429,558
Interest payments and other fiscal charges	333,255	-	333,255
Total expenditures	<u>17,409,319</u>	<u>16,296,301</u>	<u>33,705,620</u>
Excess (deficiency) of revenues over expenditures	<u>677,179</u>	<u>(16,082,179)</u>	<u>(15,405,000)</u>
Other financing sources (uses)			
Issuance of bonds	-	6,156,611	6,156,611
Transfers in	1,284,440	162,010	1,446,450
Transfers out	(57,745)	-	(57,745)
Total other financing sources (uses)	<u>1,226,695</u>	<u>6,318,621</u>	<u>7,545,316</u>
Net changes in fund balances	<u>1,903,874</u>	<u>(9,763,558)</u>	<u>(7,859,684)</u>
Fund balances - beginning	<u>2,755,335</u>	<u>4,138,126</u>	<u>6,893,461</u>
Fund balances (deficits) - ending	<u>\$ 4,659,209</u>	<u>\$ (5,625,432)</u>	<u>\$ (966,223)</u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Museum System	Law Library	Forfeited Assets	Comprehensive Services Act
Assets							
Cash and cash equivalents	\$ 108,936	\$ -	\$ 171	\$ -	\$ -	\$ 290,817	\$ -
Investments	1,504,927	-	-	-	-	-	-
Receivables, net of allowance							
Other	369,874	230,341	-	-	-	-	-
Due from other funds	2,120	-	-	-	-	-	-
Due from component unit	-	-	125,000	-	-	-	-
Due from other governments	815,581	307,671	-	-	-	-	781,411
Other assets	-	-	213	-	-	-	-
Total assets	\$ 2,801,438	\$ 538,012	\$ 125,384	\$ -	\$ -	\$ 290,817	\$ 781,411
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ 104,950	\$ 59,248	\$ -	\$ -	\$ -	\$ 1,363	\$ 476,303
Accrued liabilities	26,451	-	-	-	-	-	1,375
Due to other governments	188	162	-	-	-	-	1,870
Due to other funds	659,972	384,495	-	-	-	250	190,005
Deferred revenue	369,874	27,704	-	-	-	-	-
Total liabilities	1,161,435	471,609	-	-	-	1,613	669,553
Fund balances (deficits)							
Reserved for:							
Encumbrances	111,461	159,860	-	-	-	-	-
Unreserved:							
Designated	52,154	-	-	-	-	289,204	-
Undesignated	1,476,388	(93,457)	125,384	-	-	-	111,858
Total fund balances (deficits)	1,640,003	66,403	125,384	-	-	289,204	111,858
Total liabilities and fund balances	\$ 2,801,438	\$ 538,012	\$ 125,384	\$ -	\$ -	\$ 290,817	\$ 781,411

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009

	Lynchburg Expressway Appearance	Home Investment Trust	Detention Home	Technology Services	Baseball Stadium	Total Nonmajor Special Revenue
Assets						
Cash and cash equivalents	\$ 59,225	\$ -	\$ 500	\$ 1,218,119	\$ 94,894	\$ 1,772,662
Investments	-	-	-	1,004,602	-	2,509,529
Receivables, net of allowance						
Other	-	-	-	6,775	162,924	769,914
Due from other funds	-	-	50,307	-	-	52,427
Due from component unit	-	-	-	-	-	125,000
Due from other governments	-	198,963	222,452	-	-	2,326,078
Other assets	-	-	-	-	-	213
Total assets	<u>\$ 59,225</u>	<u>\$ 198,963</u>	<u>\$ 273,259</u>	<u>\$ 2,229,496</u>	<u>\$ 257,818</u>	<u>\$ 7,555,823</u>
Liabilities and fund balance						
Liabilities						
Accounts payable	\$ 1,869	\$ 1,624	\$ 14,495	\$ 71,130	\$ 30,099	\$ 761,081
Accrued liabilities	-	-	58,835	-	-	86,661
Due to other governments	-	-	522	-	-	2,742
Due to other funds	-	235,402	113,478	-	-	1,583,602
Deferred revenue	64,950	-	-	-	-	462,528
Total liabilities	<u>66,819</u>	<u>237,026</u>	<u>187,330</u>	<u>71,130</u>	<u>30,099</u>	<u>2,896,614</u>
Fund balances (deficits)						
Reserved for:						
Encumbrances	22,030	3,117	9,543	88,571	660	395,242
Unreserved:						
Designated	-	-	76,386	-	-	417,744
Undesignated	(29,624)	(41,180)	-	2,069,795	227,059	3,846,223
Total fund balances (deficits)	<u>(7,594)</u>	<u>(38,063)</u>	<u>85,929</u>	<u>2,158,366</u>	<u>227,719</u>	<u>4,659,209</u>
Total liabilities and fund balances	<u>\$ 59,225</u>	<u>\$ 198,963</u>	<u>\$ 273,259</u>	<u>\$ 2,229,496</u>	<u>\$ 257,818</u>	<u>\$ 7,555,823</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2009

	City Federal State Aid	Community Development Block Grant	Lynchburg Business Development Centre	Museum System	Law Library	Forfeited Assets	Comprehensive Services Act
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	6,222,205	985,845	-	-	-	107,140	3,393,222
Revenue from use of money and property	17,719	-	29,636	-	-	354	-
Charges for services	511,357	33,692	-	-	-	-	1,729,883
Miscellaneous	330,772	2,869	-	-	-	-	127,655
Total revenues	7,082,053	1,022,406	29,636	-	-	107,494	5,250,760
Expenditures							
Current operating expenditures							
General government	-	-	-	-	-	-	-
Judicial	1,016,441	-	-	-	-	27,328	-
Public safety	2,680,855	-	-	-	-	48,623	-
Public works	14,608	-	-	-	-	-	-
Health and human services	1,485,987	-	-	-	-	-	5,081,637
Cultural and recreational	7,800	-	-	-	-	-	-
Community development	-	894,478	29,636	-	-	-	-
Capital Outlay							
Capital general government	-	122,949	-	-	-	-	-
Debt service							
Principal retirements	180,000	-	-	-	-	-	-
Interest payments and other fiscal charges	145,772	-	-	-	-	-	-
Total expenditures	5,531,463	1,017,427	29,636	-	-	75,951	5,081,637
Excess (deficiency) of revenues over expenditures	1,550,590	4,979	-	-	-	31,543	169,123
Other financing sources (uses)							
Transfers in	148,155	-	-	-	-	1,377	-
Transfers out	(1,377)	-	-	(14,081)	(41,676)	(611)	-
Total other financing sources (uses)	146,778	-	-	(14,081)	(41,676)	766	-
Net changes in fund balances	1,697,368	4,979	-	(14,081)	(41,676)	32,309	169,123
Fund balances (deficits) - beginning	(57,365)	61,424	125,384	14,081	41,676	256,895	(57,265)
Fund balances (deficits) - ending	\$ 1,640,003	\$ 66,403	\$ 125,384	\$ -	\$ -	\$ 289,204	\$ 111,858

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2009

	Lynchburg Expressway Appearance	Home Investment Trust	Detention Home	Technology Services	Baseball Stadium	Total Nonmajor Special Revenue
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 32,961	\$ 32,961
Intergovernmental	-	182,658	1,182,777	-	-	12,073,847
Revenue from use of money and property	-	-	-	41,038	907,185	995,932
Charges for services	-	-	1,677,908	-	236,745	4,189,585
Miscellaneous	8,233	4,212	124	20,531	299,777	794,173
Total revenues	8,233	186,870	2,860,809	61,569	1,476,668	18,086,498
Expenditures						
Current operating expenditures						
General government	-	-	3,860	632,415	-	636,275
Judicial	-	-	-	-	-	1,043,769
Public safety	-	-	2,671,467	-	-	5,400,945
Public works	21,310	-	-	-	-	35,918
Health and human services	-	-	-	-	-	6,567,624
Cultural and recreational	-	-	-	-	1,693,712	1,701,512
Community development	-	213,400	-	-	-	1,137,514
Capital Outlay						
Capital general government	-	-	-	-	-	122,949
Debt service						
Principal retirements	-	-	144,963	-	104,595	429,558
Interest payments and other fiscal charges	-	-	69,826	-	117,657	333,255
Total expenditures	21,310	213,400	2,890,116	632,415	1,915,964	17,409,319
Excess (deficiency) of revenues over expenditures	(13,077)	(26,530)	(29,307)	(570,846)	(439,296)	677,179
Other financing sources (uses)						
Transfers in	-	-	-	782,113	352,795	1,284,440
Transfers out	-	-	-	-	-	(57,745)
Total other financing sources (uses)	-	-	-	782,113	352,795	1,226,695
Net changes in fund balances	(13,077)	(26,530)	(29,307)	211,267	(86,501)	1,903,874
Fund balances (deficits) - beginning	5,483	(11,533)	115,236	1,947,099	314,220	2,755,335
Fund balances (deficits) - ending	\$ (7,594)	\$ (38,063)	\$ 85,929	\$ 2,158,366	\$ 227,719	\$ 4,659,209

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City/Federal/State Aid Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 2,458,557	\$ 7,084,943	\$ 6,222,205	\$ (862,738)
Revenue from use of money and property	-	-	17,719	17,719
Charges for services	-	33,018	511,357	478,339
Miscellaneous	-	-	330,772	330,772
Total revenues	2,458,557	7,117,961	7,082,053	(35,908)
Expenditures				
Current operating expenditures				
Judicial	963,866	1,276,012	1,016,441	259,571
Public safety	215,000	2,694,024	2,680,855	13,169
Public works	11,000	13,660	14,608	(948)
Health and human services	1,356,042	1,783,647	1,485,987	297,660
Cultural and recreational	-	10,400	7,800	2,600
Community development	-	1,535,986	-	1,535,986
Debt service				
Principal retirements	-	-	180,000	(180,000)
Interest payments and other fiscal charges	-	-	145,772	(145,772)
Total expenditures	2,545,908	7,313,729	5,531,463	1,782,266
Excess (deficiency) of revenues over expenditures	(87,351)	(195,768)	1,550,590	1,746,358
Other financing sources (uses)				
Transfers in	87,351	171,009	148,155	(22,854)
Transfers out	-	-	(1,377)	(1,377)
Total other financing sources (uses)	87,351	171,009	146,778	(24,231)
Net changes in fund balances	-	(24,759)	1,697,368	1,722,127
Fund deficits - beginning	(57,365)	(57,365)	(57,365)	-
Fund balances (deficits) - ending	\$ (57,365)	\$ (82,124)	\$ 1,640,003	\$ 1,722,127

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Fund
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 833,859	\$ 1,998,706	\$ 985,845	\$ (1,012,861)
Charges for services	80,000	26,543	33,692	7,149
Miscellaneous	-	(12,458)	2,869	15,327
Total revenues	913,859	2,012,791	1,022,406	(990,385)
Expenditures				
Current operating expenditures				
Community development	913,859	1,759,847	894,478	865,369
Capital Outlay				
Capital general government	-	122,949	122,949	-
Total expenditures	913,859	1,882,796	1,017,427	865,369
Net changes in fund balances	-	129,995	4,979	(125,016)
Fund balances - beginning	61,424	61,424	61,424	-
Fund balances - ending	\$ 61,424	\$ 191,419	\$ 66,403	\$ (125,016)

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Forfeited Assets Fund
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 65,477	\$ 65,477	\$ 107,140	\$ 41,663
Revenue from use of money and property	-	-	354	354
Total revenues	<u>65,477</u>	<u>65,477</u>	<u>107,494</u>	<u>42,017</u>
Expenditures				
Current operating expenditures				
Judicial	-	43,329	27,328	16,001
Public safety	65,477	112,844	48,623	64,221
Total expenditures	<u>65,477</u>	<u>156,173</u>	<u>75,951</u>	<u>80,222</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(90,696)</u>	<u>31,543</u>	<u>122,239</u>
Other financing sources (uses)				
Transfers in	-	-	1,377	1,377
Transfers out	-	-	(611)	(611)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>766</u>	<u>766</u>
Net changes in fund balances	<u>-</u>	<u>(90,696)</u>	<u>32,309</u>	<u>123,005</u>
Fund balances - beginning	<u>256,895</u>	<u>256,895</u>	<u>256,895</u>	<u>-</u>
Fund balances - ending	<u>\$ 256,895</u>	<u>\$ 166,199</u>	<u>\$ 289,204</u>	<u>\$ 123,005</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Comprehensive Services Act Fund
For the Year Ended June 30, 2009**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 3,168,505	\$ 4,346,179	\$ 3,393,222	\$ (952,957)
Charges for services	1,304,883	1,775,709	1,729,883	(45,826)
Miscellaneous	110,000	110,000	127,655	17,655
Total revenues	4,583,388	6,231,888	5,250,760	(981,128)
Expenditures				
Current operating expenditures				
Health and human services	4,583,388	6,231,888	5,081,637	1,150,251
Total expenditures	4,583,388	6,231,888	5,081,637	1,150,251
Net changes in fund balances	-	-	169,123	169,123
Fund deficits - beginning	(57,265)	(57,265)	(57,265)	-
Fund balances (deficits) - ending	\$ (57,265)	\$ (57,265)	\$ 111,858	\$ 169,123

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Investment Trust Fund
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 418,171	\$ 1,103,014	\$ 182,658	\$ (920,356)
Miscellaneous	-	(100,702)	4,212	104,914
Total revenues	418,171	1,002,312	186,870	(815,442)
Expenditures				
Current operating expenditures				
Community development	418,171	1,048,899	213,400	835,499
Total expenditures	418,171	1,048,899	213,400	835,499
Net changes in fund balances	-	(46,587)	(26,530)	20,057
Fund deficits - beginning	(11,533)	(11,533)	(11,533)	-
Fund deficits - ending	\$ (11,533)	\$ (58,120)	\$ (38,063)	\$ 20,057

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Detention Home Fund
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 1,118,830	\$ 1,118,830	\$ 1,182,777	\$ 63,947
Charges for services	1,861,231	1,861,231	1,677,908	(183,323)
Miscellaneous	-	-	124	124
Total revenues	2,980,061	2,980,061	2,860,809	(119,252)
Expenditures				
Current operating expenditures				
General government	6,112	7,222	3,860	3,362
Public safety	2,759,198	2,790,781	2,671,467	119,314
Debt service				
Principal retirements	144,934	144,963	144,963	-
Interest payments and other fiscal charges	69,817	69,826	69,826	-
Total expenditures	2,980,061	3,012,792	2,890,116	122,676
Net changes in fund balances	-	(32,731)	(29,307)	3,424
Fund balances - beginning	115,236	115,236	115,236	-
Fund balances - ending	\$ 115,236	\$ 82,505	\$ 85,929	\$ 3,424

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Technology Services Fund
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Revenue from use of money and property	\$ 30,000	\$ 30,000	\$ 41,038	\$ 11,038
Miscellaneous	-	-	20,531	20,531
Total revenues	30,000	30,000	61,569	31,569
Expenditures				
Current operating expenditures				
General government	1,138,063	1,670,355	632,415	1,037,940
Total expenditures	1,138,063	1,670,355	632,415	1,037,940
Deficiency of revenues over expenditures	(1,108,063)	(1,640,355)	(570,846)	1,069,509
Other financing sources				
Transfers in	631,594	782,113	782,113	-
Total other financing sources	631,594	782,113	782,113	-
Net changes in fund balances	(476,469)	(858,242)	211,267	1,069,509
Fund balances - beginning	1,947,099	1,947,099	1,947,099	-
Fund balances - ending	\$ 1,470,630	\$ 1,088,857	\$ 2,158,366	\$ 1,069,509

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Baseball Stadium Fund
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 36,000	\$ 36,000	\$ 32,961	\$ (3,039)
Revenue from use of money and property	972,000	972,000	907,185	(64,815)
Charges for services	305,000	305,000	236,745	(68,255)
Miscellaneous	334,000	334,000	299,777	(34,223)
Total revenues	1,647,000	1,647,000	1,476,668	(170,332)
Expenditures				
Current operating expenditures				
Cultural and recreational	1,609,043	1,630,561	1,693,712	(63,151)
Debt service				
Principal retirements	104,595	104,595	104,595	-
Interest payments and other fiscal charges	117,657	117,657	117,657	-
Total expenditures	1,831,295	1,852,813	1,915,964	(63,151)
Deficiency of revenues over expenditures	(184,295)	(205,813)	(439,296)	(233,483)
Other financing sources				
Transfers in	175,809	352,795	352,795	-
Total other financing sources	175,809	352,795	352,795	-
Net changes in fund balances	(8,486)	146,982	(86,501)	(233,483)
Fund balances - beginning	314,220	314,220	314,220	-
Fund balances - ending	\$ 305,734	\$ 461,202	\$ 227,719	\$ (233,483)

Balance Sheet
School Capital Projects
June 30, 2009

	<u>School Capital Projects</u>
Assets	
Cash and cash equivalents	<u>\$ 3,730,446</u>
Total assets	<u><u>\$ 3,730,446</u></u>
Liabilities and fund balances	
Liabilities	
Accounts payable	\$ 4,483,133
Due to other funds	<u> 4,872,745</u>
Total liabilities	<u> 9,355,878</u>
Fund balances (deficit)	
Reserved for:	
Encumbrances	11,322,292
Unreserved:	
Undesignated	<u>(16,947,724)</u>
Total fund deficit	<u>(5,625,432)</u>
Total liabilities and fund balances	<u><u>\$ 3,730,446</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
School Capital Projects
For the Year Ended June 30, 2009

	<u>School Capital Projects</u>
Revenues	
Intergovernmental	\$ 214,122
Total revenues	<u>214,122</u>
Expenditures	
Current operating expenditures	
Education	10,860
Capital outlay	
Capital general government	<u>16,285,441</u>
Total expenditures	<u>16,296,301</u>
Deficiency of revenues over expenditures	<u>(16,082,179)</u>
Other financing sources	
Issuance of bonds	6,156,611
Transfers in	<u>162,010</u>
Total other financing sources	<u>6,318,621</u>
Net changes in fund balances	(9,763,558)
Fund balance - beginning	<u>4,138,126</u>
Fund deficit - ending	<u>\$ (5,625,432)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Capital Projects
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 1,478,520	\$ 426,000	\$ 214,122	\$ (211,878)
Total revenues	<u>1,478,520</u>	<u>426,000</u>	<u>214,122</u>	<u>(211,878)</u>
Expenditures				
Current operating expenditures				
Education	1,478,520	123,981	10,860	113,121
Capital outlay				
Capital general government	<u>-</u>	<u>17,030,126</u>	<u>16,285,441</u>	<u>744,685</u>
Total expenditures	<u>1,478,520</u>	<u>17,154,107</u>	<u>16,296,301</u>	<u>857,806</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>(16,728,107)</u>	<u>(16,082,179)</u>	<u>645,928</u>
Other financing sources				
Issuance of bonds	-	15,012,367	6,156,611	(8,855,756)
Transfers in	<u>-</u>	<u>162,010</u>	<u>162,010</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>15,174,377</u>	<u>6,318,621</u>	<u>(8,855,756)</u>
Net changes in fund balance	<u>-</u>	<u>(1,553,730)</u>	<u>(9,763,558)</u>	<u>(8,209,828)</u>
Fund balance - beginning	<u>4,138,126</u>	<u>4,138,126</u>	<u>4,138,126</u>	<u>-</u>
Fund deficit - ending	<u>\$ 4,138,126</u>	<u>\$ 2,584,396</u>	<u>\$ (5,625,432)</u>	<u>\$ (8,209,828)</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Capital Projects
For the Year Ended June 30, 2009**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 3,273,460	\$ 47,888,251	\$ 4,838,744	\$ (43,049,507)
Revenue from use of money and property	-	-	714,954	714,954
Miscellaneous	-	37,350	355,363	318,013
Total revenues	3,273,460	47,925,601	5,909,061	(42,016,540)
Expenditures				
Current operating expenditures				
Public works	9,273,365	12,221,944	4,428,662	7,793,282
Capital outlay				
Capital general government	18,608,293	60,194,762	16,246,400	43,948,362
Debt service				
Issuance costs	-	24,839	-	24,839
Total expenditures	27,881,658	72,441,545	20,675,062	51,766,483
Deficiency of revenues over expenditures	(24,608,198)	(24,515,944)	(14,766,001)	9,749,943
Other financing sources (uses)				
Issuance of bonds	15,722,960	12,040,809	-	(12,040,809)
Transfers in	8,885,238	17,457,577	17,300,683	(156,894)
Transfers out	-	(112,557)	(112,557)	-
Total other financing sources (uses)	24,608,198	29,385,829	17,188,126	(12,197,703)
Net changes in fund balance	-	4,869,885	2,422,125	(2,447,760)
Fund balance - beginning	45,719,024	45,719,024	45,719,024	-
Fund balance - ending	\$ 45,719,024	\$ 50,588,909	\$ 48,141,149	\$ (2,447,760)

Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2009

	Special Welfare	Central Virginia Regional Radio Board	Total Agency
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 90,614	\$ 506,133	\$ 596,747
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 90,614</u>	<u>\$ 506,133</u>	<u>\$ 596,747</u>
Liabilities			
Accounts payable	\$ 3,465	\$ -	\$ 3,465
Due to other governments	-	135,756	135,756
Amounts held for others	<u>87,149</u>	<u>370,377</u>	<u>457,526</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 90,614</u>	<u>\$ 506,133</u>	<u>\$ 596,747</u>

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
<u>Special Welfare</u>				
Assets				
Cash and cash equivalents	\$ 93,673	\$ 229,123	\$ 232,182	\$ 90,614
Total Assets	\$ 93,673	\$ 229,123	\$ 232,182	\$ 90,614
Liabilities				
Accounts payable	\$ 4,245	\$ 26,651	\$ 27,431	\$ 3,465
Amounts held for others	89,428	269,545	271,824	87,149
Total Liabilities	\$ 93,673	\$ 296,196	\$ 299,255	\$ 90,614
<u>Central Virginia Regional Radio Board</u>				
Assets				
Cash and cash equivalents	\$ 523,430	\$ 1,483,790	\$ 1,501,087	\$ 506,133
Receivables, net of allowance				
Due from other governments	-	777,126	777,126	-
Total Assets	\$ 523,430	\$ 2,260,916	\$ 2,278,213	\$ 506,133
Liabilities				
Due to other governments	\$ 135,756	\$ -	\$ -	\$ 135,756
Amounts held for others	387,674	1,697,905	1,715,202	370,377
Total Liabilities	\$ 523,430	\$ 1,697,905	\$ 1,715,202	\$ 506,133
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 617,103	\$ 1,712,913	\$ 1,733,269	\$ 596,747
Receivables, net of allowance				
Due from other governments	-	777,126	777,126	-
Total Assets	\$ 617,103	\$ 2,490,039	\$ 2,510,395	\$ 596,747
Liabilities				
Accounts payable	\$ 4,245	\$ 26,651	\$ 27,431	\$ 3,465
Due to other governments	135,756	-	-	135,756
Amounts held for others	477,102	1,967,450	1,987,026	457,526
Total Liabilities	\$ 617,103	\$ 1,994,101	\$ 2,014,457	\$ 596,747

CITY OF LYNCHBURG, VIRGINIA

Discretely Presented Component Unit – Lynchburg City Schools
As of June 30, 2009

Discretely Presented Component Unit – Lynchburg City Schools:

The Lynchburg City Schools operates one pre-school, eleven elementary, one special education, three middle, and two high schools in the City. The funds and account groups of the schools are described below:

- School Operating Fund – Accounts for the primary operating activities of the Lynchburg City Schools.
- School Federal Aid Fund – Accounts for the various federal and state grants for the educational purposes of the Lynchburg City Schools. Also accounts for the activities of the Central Virginia Governor's School for Science and Technology, a regional program supported by the City of Lynchburg and four surrounding counties, for which Lynchburg City Schools serves as fiscal agent.
- School Cafeteria Fund – Accounts for revenues received from the sale of food in the Lynchburg City Schools.

Discretely Presented Component Unit - Lynchburg City Schools
Combining Balance Sheet
June 30, 2009

	School Operating	School Federal Aid	School Cafeteria	Total Governmental
Assets				
Cash and cash equivalents	\$ 8,399,915	\$ 211,420	\$ 1,391,803	\$ 10,003,138
Cash and cash equivalents, restricted	664,389	-	-	664,389
Receivables, net	168,012	-	-	168,012
Due from other funds	2,181,326	-	106,262	2,287,588
Due from other governments	1,937,798	2,415,538	-	4,353,336
Inventory	-	-	73,035	73,035
Total assets	\$ 13,351,440	\$ 2,626,958	\$ 1,571,100	\$ 17,549,498
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 557,968	\$ 43,425	\$ 2,562	\$ 603,955
Due to other funds	106,262	2,181,326	-	2,287,588
Due to primary government	291,733	-	-	291,733
Deferred revenue	1,166,966	36,703	-	1,203,669
Accrued liabilities	10,436,572	796,026	13,020	11,245,618
Total liabilities	12,559,501	3,057,480	15,582	15,632,563
Fund balances (deficits):				
Reserved for:				
Encumbrances	127,550	52,711	-	180,261
Capital projects	664,389	-	-	664,389
Inventory	-	-	73,035	73,035
Unreserved:				
Undesignated	-	(483,233)	1,482,483	999,250
Total fund balances (deficits)	791,939	(430,522)	1,555,518	1,916,935
Total liabilities and fund balances	\$ 13,351,440	\$ 2,626,958	\$ 1,571,100	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				2,743,087
Receivables on the statement of net assets that do not provide current financial resources are reported as deferred revenue in the funds.				1,178,469
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(4,100,196)
Net assets of governmental activities				<u>\$ 1,738,295</u>

Discretely Presented Component Unit - Lynchburg City Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2009

	<u>School Operating</u>	<u>School Federal Aid</u>	<u>School Cafeteria</u>	<u>Total Governmental</u>
Revenues				
Intergovernmental				
State and Federal	\$ 54,100,247	\$ 7,192,905	\$ 2,439,206	\$ 63,732,358
City of Lynchburg	32,183,128	-	-	32,183,128
Revenue from use of money and property	6,748	-	1,940	8,688
Charges for services	1,367,940	550,973	831,405	2,750,318
Miscellaneous	111,542	93,962	27,043	232,547
Total revenues	<u>87,769,605</u>	<u>7,837,840</u>	<u>3,299,594</u>	<u>98,907,039</u>
Expenditures				
Education:				
Instruction	66,182,342	6,790,715	-	72,973,057
Administration, attendance and health	4,962,843	56,520	-	5,019,363
Pupil transportation services	4,122,671	-	-	4,122,671
Operations and maintenance	10,336,820	72,306	-	10,409,126
Food service and other	528	121,059	3,185,335	3,306,922
Facilities	55,414	-	-	55,414
Capital outlay	1,942,808	848,597	158,781	2,950,186
Debt service:				
Principal retirement	947,970	-	-	947,970
Interest payments	89,419	-	-	89,419
Total expenditures	<u>88,640,815</u>	<u>7,889,197</u>	<u>3,344,116</u>	<u>99,874,128</u>
Deficiency of revenues over expenditures	<u>(871,210)</u>	<u>(51,357)</u>	<u>(44,522)</u>	<u>(967,089)</u>
Other Financing Sources				
Capital lease proceeds	1,000,000	-	-	1,000,000
Net change in fund balances	128,790	(51,357)	(44,522)	32,911
Fund balance (deficit) - beginning	<u>663,149</u>	<u>(379,165)</u>	<u>1,600,040</u>	
Fund balance (deficit) - ending	<u>\$ 791,939</u>	<u>\$ (430,522)</u>	<u>\$ 1,555,518</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$707,042) exceeded depreciation expense (\$519,598).	187,444
Compensated absences are not due and payable at June 30 and, therefore, are not reported in the fund statements.	(120,259)
Other-post retirement benefits are not due and payable at June 30, and therefore are not reported in the fund statements.	(429,859)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(224,354)
The issuance of long-term debt (e.g. capital leases) provides current financial resources to governmental funds, but has no effect on net assets.	(1,000,000)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.	947,970
Change in net assets of governmental activities.	<u>\$ (606,147)</u>

Discretely Presented Component Unit - Lynchburg City Schools
School Operating Fund
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)
Budget and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 86,808,352	\$ 86,910,039	\$ 86,575,108	\$ (334,931)
Revenue from use of money and property	-	-	6,748	6,748
Charges for services	606,775	1,241,395	1,367,940	126,545
Miscellaneous	125,000	125,000	111,542	(13,458)
Total revenues	87,540,127	88,276,434	88,061,338	(215,096)
Expenditures				
Education:				
Instruction	65,078,790	66,011,835	66,182,342	(170,507)
Administration, attendance, and health	5,080,256	5,117,589	4,962,843	154,746
Pupil transportation services	3,762,123	3,555,745	4,122,671	(566,926)
Operations and maintenance	11,034,478	10,588,207	10,336,820	251,387
Food service and other	-	55,215	528	54,687
Facilities	37,000	551,136	55,414	495,722
Capital outlay	2,674,290	2,523,517	1,942,808	580,709
Debt service	873,190	873,190	1,037,389	(164,199)
Total expenditures	88,540,127	89,276,434	88,640,815	635,619
Deficiency of revenues over expenditures	(1,000,000)	(1,000,000)	(579,477)	420,523
Other financing sources				
Capital lease proceeds	1,000,000	1,000,000	1,000,000	-
Net change in fund balances	\$ -	\$ -	420,523	\$ 420,523
Less return of funds to the City			(291,733)	
			\$ 128,790	

Discretely Presented Component Unit - Lynchburg City Schools
Agency Fund
For the Year Ended June 30, 2009

	<u>Agency Fund</u>
Assets	
Investments	<u>\$ 83,589</u>
Liabilities	
Amounts held for others	<u>\$ 83,589</u>

Combining Statement of Net Assets
Other Component Units
June 30, 2009

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 412,983	\$ -	\$ 412,983
Receivables (net of allowance for uncollectibles)	681,368	20,162	701,530
Due from other governments	-	275,870	275,870
Prepaid and other assets	612	17,275	17,887
Inventory	-	257,819	257,819
Capital assets:			
Non-depreciable	-	55,031	55,031
Depreciable	3,556	11,240,005	11,243,561
Total assets	1,098,519	11,866,162	12,964,681
Liabilities			
Current liabilities:			
Bank overdraft	-	21,397	21,397
Accounts payable and other current liabilities	675,920	386,768	1,062,688
Notes payable, bank	-	39,985	39,985
Due to primary government	125,000	27,011	152,011
Total current liabilities	800,920	475,161	1,276,081
Noncurrent liabilities:			
Other post employment benefits	-	6,000	6,000
Compensated absences	-	46,732	46,732
Total noncurrent liabilities	-	52,732	52,732
Total liabilities	800,920	527,893	1,328,813
Net assets			
Invested in capital assets, net of related debt	3,556	11,295,036	11,298,592
Net assets, unrestricted	294,043	43,233	337,276
Total net assets	\$ 297,599	\$ 11,338,269	\$ 11,635,868

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Other Component Units
For the Year Ended June 30, 2009

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating revenues			
Charges for services and other operating revenues	\$ 219,056	\$ 1,043,067	\$ 1,262,123
Total operating revenues	<u>219,056</u>	<u>1,043,067</u>	<u>1,262,123</u>
Operating expenses			
Operations	370,145	4,772,286	5,142,431
Administration	5,760	1,229,395	1,235,155
Maintenance and repairs	31,999	1,570,869	1,602,868
Total operating expenses	<u>407,904</u>	<u>7,572,550</u>	<u>7,980,454</u>
Operating loss	<u>(188,848)</u>	<u>(6,529,483)</u>	<u>(6,718,331)</u>
Nonoperating revenue			
Operating funds from City of Lynchburg	-	882,029	882,029
Operating funds from Counties	-	53,806	53,806
Operating funds from Liberty University	-	1,363,536	1,363,536
Donations and grants	147,100	2,995,611	3,142,711
Miscellaneous revenue	-	21,785	21,785
Loss on sale of property and equipment	-	(3,473)	(3,473)
Total nonoperating revenue	<u>147,100</u>	<u>5,313,294</u>	<u>5,460,394</u>
Capital contributions	-	6,056,978	6,056,978
Change in net assets	<u>(41,748)</u>	<u>4,840,789</u>	<u>4,799,041</u>
Total net assets - beginning	<u>339,347</u>	<u>6,497,480</u>	<u>6,836,827</u>
Total net assets - ending	<u>\$ 297,599</u>	<u>\$ 11,338,269</u>	<u>\$ 11,635,868</u>

**Combining Statement of Cash Flows
Other Component Units
For the Year Ended June 30, 2009**

	Component Units		
	Business Development Centre, Inc.	Greater Lynchburg Transit Company	Total
Operating activities			
Cash received from operations	\$ 357,354	\$ 1,046,581	\$ 1,403,935
Cash paid to employees	(235,733)	(2,692,821)	(2,928,554)
Cash paid to suppliers for goods and services	(159,308)	(3,728,726)	(3,888,034)
New loans disbursed	(90,000)	-	(90,000)
Net cash used in operating activities	(127,687)	(5,374,966)	(5,502,653)
Noncapital financing activities			
Net change in line of credit	-	(210,015)	(210,015)
Subsidies	-	5,592,456	5,592,456
Operating grants and contributions	147,100	-	147,100
Net cash provided from noncapital financing activities	147,100	5,382,441	5,529,541
Capital and related financing activities			
Capital contributions received	-	5,832,379	5,832,379
Additions to capital assets	-	(5,843,401)	(5,843,401)
Proceeds from sale of capital assets	-	16,725	16,725
Miscellaneous revenue	-	21,785	21,785
Net cash provided from capital and related financing activities	-	27,488	27,488
Net increase in cash and cash equivalents	19,413	34,963	54,376
Cash and cash equivalents			
Beginning of year	393,570	(56,360)	337,210
End of year	\$ 412,983	\$ (21,397)	\$ 391,586
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (188,848)	\$ (6,529,483)	\$ (6,718,331)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	4,520	1,233,680	1,238,200
Decrease in receivables	67,962	3,514	71,476
Increase in prepaid expenses and other assets	(7)	(335)	(342)
Increase in inventory	-	(1,825)	(1,825)
Decrease in accounts payable and other current liabilities	(7,153)	(83,006)	(90,159)
Increase in compensated absences and other post employment benefits	-	2,489	2,489
Decrease in amounts due to primary government	(4,161)	-	(4,161)
Net cash used in operating activities	\$ (127,687)	\$ (5,374,966)	\$ (5,502,653)
Supplemental cash flow information			
Non-cash transactions:			
Capital assets additions financed by accounts payable	\$ -	\$ 199,570	\$ 199,570

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SUPPLEMENTAL SCHEDULES

CITY OF LYNCHBURG, VIRGINIA

SCHEDULE 1

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
PRIMARY GOVERNMENT		
DEPARTMENT OF AGRICULTURE		
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Supplemental Nutrition Assistance Program	10.561	\$ 997,806
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through Commonwealth of Virginia:		
Department of Social Services:		
Family Preservation and Support	93.556	39,212
TANF Block Grant	93.558	1,161,824
Refugee and Entrant Assistance State - Administered Programs	93.566	1,935
Low Income Energy Assistance	93.568	43,799
Child Care Assistance	93.575	386,710
Child Care Development Fund	93.596	572,333
Chafee Education and Training Vouchers Program (ETV)	93.599	26,061
Adoption Incentive Program	93.603	434
Child Welfare Services	93.645	6,797
Foster Care - Title IV-E	93.658	1,428,959
Foster Care - Title IV-E - ARRA	93.658	10,758
Adoption Assistance	93.659	545,046
Adoption Assistance - ARRA	93.659	4,854
Social Services Block Grant	93.667	464,745
Independent Living	93.674	83,941
Child Care and Development Block Grant - ARRA	93.713	6,429
Children's Insurance Program	93.767	68,009
Medicaid Assistance	93.778	680,160
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Passed through Commonwealth of Virginia:		
AmeriCorps	94.006	7,939
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Payments:		
Community Development Block Grant Program, Entitlement Grants	14.218	1,017,427
Shelter Plus Care	14.238	69,665
Home Investment Partnership Program	14.239	213,400
DEPARTMENT OF JUSTICE		
Direct Payments:		
Domestic Violence Block Grant	16.530	229,345
Bulletproof Vest Partnership	16.607	40,994
Community Prosecution and Project Safe Neighborhoods	16.609	4,499
Passed through Commonwealth of Virginia:		
Department of Criminal Justice Services:		
Victim-Witness Services	16.575	180,952
Byrne Formula Grant - Drug Control and Systems Improvements	16.579	14,124
Byrne Discretionary Grant	16.580	79,159
COPS Interoperability Grant	16.710	966,441
DEPARTMENT OF LABOR		
Passed through Commonwealth of Virginia:		
Employment and Training Administration:		
WIA Adult Program	17.258	315,778
WIA Youth Activities	17.259	238,924
WIA Dislocated Workers	17.260	318,793
ARRA Funding:		
WIA Adult Program	17.258	1,309
WIA Youth Activities	17.259	40,015
WIA Dislocated Workers	17.260	12,502

(Continued)

CITY OF LYNCHBURG, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009
(Continued)

	Federal Granting Agency/ Recipient State Agency/ Grant Program	Federal CFDA Number	Federal Expenditures
<u>PRIMARY GOVERNMENT (Continued)</u>			
FEDERAL AVIATION ADMINISTRATION			
Direct Payments:			
Department of Aviation:			
Airport Improvement Program		20.106	56,727
DEPARTMENT OF HOMELAND SECURITY			
Direct Payments:			
Transportation Security Administration:			
Airport LEO Cooperative Agreement		97.090	113,948
DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Highway Planning and Construction		20.205	1,195,796
Passed through Commonwealth of Virginia:			
Department of Motor Vehicles:			
Selective Enforcement Grants		20.601	6,879
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Direct Payments:			
Department of Homeland Security:			
Assistance to Firefighters		97.044	183,745
Passed through Commonwealth of Virginia:			
Department of Emergency Services:			
Homeland Security		97.073	14,998
<u>COMPONENT UNIT - LYNCHBURG SCHOOLS</u>			
DEPARTMENT OF AGRICULTURE			
Passed through Commonwealth of Virginia:			
Department of Education:			
National School Lunch Program		10.555	1,782,916
National School Breakfast Program		10.553	595,661
DEPARTMENT OF EDUCATION			
Passed through Commonwealth of Virginia:			
Title I - Educationally Deprived Children - LEA		84.010	3,823,774
Title I - Neglected and Delinquent Children		84.013	19,847
Elementary and Secondary Education Act (ESEA):			
Title IV-B - Elementary and Secondary Education Act of 1965		84.287	200,909
Title VI - Innovative Education Program Strategies		84.298	19,594
Title VI-B - Special Education		84.027	1,982,886
Special Education Preschool Grants		84.173	55,849
Technology Literacy Challenge Fund Grants		84.318	25,243
Technology Literacy Challenge Fund Grants - ARRA		84.318	9,442
English Language Acquisition Grants		84.365	24,744
Title II - Part A Funds		84.367	737,795
Title VIII Impact Aid		84.041	1,200
Vocational Education:			
Basic Grants to States		84.048	286,902
Drug Free Schools and Communities		84.186	74,785
McKenney-Vento Homeless Education Assistance Improvements Act of 2001:			
Title X-C -No Child Left Behind Act		84.000	22,860
TOTAL			\$ 21,517,578

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2009

Note 1. Significant Accounting Policy

Basis of Accounting:

The accompanying schedule of federal awards is prepared on the modified accrual basis of accounting.

Note 2. Business Development Centre, Inc. – Revolving Loan Fund

The Centre administers the Economic Development Administration Special Economic Adjustment Assistance Revolving Loan Fund Program CFDA 11.307 (01-49-03245) on behalf of the City of Lynchburg. Loans under this program are subject to various restrictions as determined by the Economic Development Administration.

The Centre received the funds indicated as follows through the fiscal year ended June 30, 1998. No funds have been received since that date.

	Federal	State	Local
Amount received through June 30, 1993	\$ 45,000	\$ -	\$ 24,000
Amount received through June 30, 1994	127,836	-	33,612
Amount received through June 30, 1995	44,027	-	14,676
Amount received through June 30, 1996	108,201	-	36,067
Bad debt charge off for the year ended June 30, 1996	(3,005)	-	(1,002)
Amount received through June 30, 1997	10,268	-	3,423
Recapitalized from earnings for the year ended June 30, 1997	3,005	-	1,002
Amount received through June 30, 1998	159,668	40,000	13,222
	<u>\$ 495,000</u>	<u>\$ 40,000</u>	<u>\$ 125,000</u>

Note 3. Non-monetary Assistance

Non-monetary assistance is reported in the Schedule of Federal Awards at the fair market value of the food commodities.

CITY OF LYNCHBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
As of June 30, 2009

Note 4. Subgrantees

The federal expenditures for the Community Development Block Grant, the Home Investment Partnership, and the Workforce Investment Act Cluster programs include grants to subrecipients as follows:

Subrecipient	Community Development Block Grant	Home Investment Partnership Act	Workforce Investment Act Cluster
Amazement Square Museum	\$ 3,000	\$ -	\$ -
Boys & Girls Club of Lynchburg	5,000	-	-
Bluffwalk Section 108 loan	254,686	-	-
Camp Kum-Ba-Yah	5,000	-	-
City Administration	76,896	49,469	-
City Projects – Diamond Hill Community Center	47,291	-	-
City Projects – Fifth Street	142,566	-	-
Dearington Elementary School	6,296	-	-
Fellowship Community Outreach Center	9,531	-	-
Free Foundation for Rehabilitation Equipment	5,200	-	-
Habitat for Humanity	-	48,000	-
Hunton Community Center	6,181	-	-
Jubilee Family Development Center	18,590	-	-
Joseph Nichols Tavern	26,870	-	-
Legacy Project	11,500	-	-
Lynchburg Community Action Group	50,212	22,233	-
Lynchburg Historic Foundation	639	-	-
Lynchburg Neighborhood Development	-	93,698	-
Lynchburg Redevelopment & Housing Authority	212,236	-	-
Mary Bethune Academy	14,600	-	-
Miriam's House	14,500	-	-
New Land Industries	5,000	-	-
New Land Samaritan Inns - Gateway	19,500	-	-
Rebuilding Together	49,599	-	-
Region 2000 Local Governmental Council	-	-	927,321
Riverfront Development	624	-	-
Rush Lifetime Homes	3,600	-	-
United Way – Success by 6	2,857	-	-
YWCA Town Center Restoration	14,563	-	-
YWCA – Domestic Violence Prevention	10,890	-	-
	<u>\$ 1,017,427</u>	<u>\$ 213,400</u>	<u>\$ 927,321</u>

Note 5. Program Income

In accordance with terms of the Community Development Block Grant Program, program income totaling \$36,109 was used to reduce the amount of federal funds in conjunction with the program's objective.

Note 6. Virginia Revolving Loan Fund (CFDA 66.458)

At June 30, 2009, the City had an outstanding loan balance through the Virginia Revolving Loan Fund in the amount of \$100,327,800, which includes \$23,808,845 of federal funds.

SCHEDULE 2**CITY OF LYNCHBURG, VIRGINIA**Schedule of Passenger Facility Charges
As of June 30, 2009

Passenger Facility Charges:

<u>Federal Agency/Program Name/Application Number</u>	<u>PFC Balance July 1, 2008</u>	<u>PFC Collected</u>	<u>Interest Earnings</u>	<u>Expenditures</u>	<u>PFC Balance June 30, 2009</u>
FEDERAL AVIATION ADMINISTRATION					
Passenger facility charges (05-04-C-00-LYH)	\$ 4,708	\$ 284,015	\$ 158	\$ 280,095	\$ 8,786
	<u>\$ 4,708</u>	<u>\$ 284,015</u>	<u>\$ 158</u>	<u>\$ 280,095</u>	<u>\$ 8,786</u>

SCHEDULE 3**CITY OF LYNCHBURG, VIRGINIA**

Schedule of Expenditures of Passenger Facility Charges

As of June 30, 2009

Expenditures of Passenger Facility Charges:

Project	PFC Expenditures
<u>Application 4 (05-04-C-00-LYH)</u>	
Local share reimbursement (non-AIP) PFC development and administrative costs	\$ 5,095
Local share reimbursement (AIP-29) Runway 4-22 extension, (construction)	215,000
Local share reimbursement (non-AIP) Rehab Hangar 7 & 8 Ramp (9,000 sq yds)	<u>60,000</u>
Total PFC expenditures	<u>\$ 280,095</u>

The accompanying schedule of expenditures of passenger facility charges includes the passenger facility charge activity of the City, and is presented on the cash basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in preparation of, the basic financial statements.

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STATISTICAL SECTION

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STATISTICAL SECTION

This section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the government's overall financial condition.

CONTENTS

Page

MISCELLANEOUS STATISTICAL DATA

This section provides additional information about the City, form of government, taxable subjects for local taxation, City's Fund Balance, Debt Management, Budget, and Investment policies. 95-99

FINANCIAL TRENDS

Tables 1-11 contain trend information to help the reader understand how the City's financial performance and well-being have changed over the time. 100-113

REVENUE CAPACITY

Tables 12-17 contain information to help the reader assess the City's most significant local revenue sources, property taxes. 114-119

DEBT CAPACITY

Tables 18-21 present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 120-123

DEMOGRAPHIC AND ECONOMIC INDICATORS

Tables 22-23 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 124-125

OPERATING INFORMATION

Tables 24-27 contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services it provides and the activities it performs. 126-129

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City of Lynchburg implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year. The goal of future reporting is to include ten (10) years.

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2009

DATE OF INCORPORATION

Lynchburg was founded by John Lynch in 1757, established as a town in October 1786, incorporated as a town on January 10, 1805 and received independent city status in 1852.

AREA OF CITY

The area of the City consists of 50.107 square miles.

POPULATION

United States Census 1990 (1).....	66,049
United States Census 2000 (1).....	65,269
United States Census 2005 (1).....	67,756
United States Census 2007 (1).....	70,056
United States Census 2008 (1).....	70,734

(1) Source: Weldon Cooper Center for Public Service,
www.coopercenter.org

FORM OF GOVERNMENT

Lynchburg is organized under the Council – Manager form of government. The City Council, comprised of seven members, is elected on either an at-large (3 members) or ward (4 members) representative basis for four-year staggered terms of office. From among the elected City Council members, they choose on or near July 1 of each election year by simple majority vote a Mayor, who serves a two-year term.

Appointed by the City Council, the City Manager serves as the chief administrative officer of the municipal corporation. The City Manager performs the City's administrative and policy-related duties, directs business procedures and has the power of appointment and removal of the heads of all administrative departments as well as other employees of the City. The City Manager's primary focus is on helping Council set priorities, interpreting City Council's actions to the appropriate department, outside organizations and citizens, and providing professional leadership in executing the adopted policies of City Council.

SEGREGATION OF TAXABLE SUBJECTS FOR LOCAL TAXATION ONLY

By an Act of the General Assembly of Virginia, approved March 31, 1926, all real estate, tangible personal property, and machinery used for manufacturing purposes, were segregated to the City, and these subjects are not liable to any general tax except the City tax.

ASSESSMENTS

The City Assessor of Real Estate appraises the market value of real estate on a biannual assessment cycle. The entire City is reviewed every other year (with values effective the first day of July of the odd years) and adjustments are made where necessary based upon market evidence indicating a change in the value.

The Commissioner of the Revenue is required by law to assess vehicles and motorcycles by means of a recognized pricing guide. For most other personal property, the assessed value is based on a percentage of original cost.

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2009
(Continued)

TAX RATES

The Commissioner of Revenue, as required by the *Code of Virginia*, assesses tangible personal property and machinery and tools. The City prorates personal property on a monthly basis.

Real Estate:

- \$1.05 per \$100 assessed value: 2008-2009
- \$1.11 per \$100 assessed value: 1998-2007
- \$1.13 per \$100 assessed value: 1997
- \$1.16 per \$100 assessed value: 1995-1996
- \$1.18 per \$100 assessed value: 1990-1994

Tangible Personal Property:

- \$3.80 per \$100 assessed value: 2005-2009
- \$3.30 per \$100 assessed value: 1990-2004

Machinery and Tools:

- \$3.00 per \$100 assessed value: 1990-2009

Local Sales Tax:

- 1% + 4.0% VA tax: 2005-2009
- 1% + 3.5% VA tax: 1998-2004

Utility Consumers' Tax:

- Electricity:
 - Residential – the greater of: \$0.0046 for the first 1,000 kwh (or a fraction thereof) plus \$0.0026 for each kwh over the first 1,000 kwh, or 7% of the minimum monthly charge.
 - Commercial – the greater of: \$0.0048 for the first 1,000 kwh (or a fraction thereof) plus \$0.0092 for each kwh over the first 1,000 kwh, or 7% of the minimum monthly charge.
 - Industrial – the greater of: \$0.00375 for the first 1,000 kwh (or a fraction thereof) plus \$0.0026 for each kwh over the first 1,000 kwh, or 7% of the minimum monthly charge.

Business, Professional, and Occupational License:

For Business with Gross Receipts/Purchases Exceeding Threshold:

- Threshold
 - Receipts/Purchases \$10,000 and less – No fee
 - Receipts/Purchases \$10,001 - \$50,000 - \$30 flat fee
 - Receipts/Purchases \$50,001 - \$100,000 - \$50 flat fee
- Contractors – \$0.16 per \$100 of gross receipts
- Retail Merchants – \$0.20 per \$100 of gross receipts
- Wholesale Merchants – \$0.28 per \$100 of gross receipts plus \$20 fee when gross purchases are over \$100,000
- Repair, Personal, and Business Services – \$0.36 per \$100 of gross receipts
- Financial Real Estate and Professional Services – \$0.58 per \$100 of gross receipts

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2009
(Continued)

TAX RATES
(Continued)

Motor Vehicle License:

- \$29.50 for vehicles weighing 4,000 pounds or less: 2005-2009
- \$34.50 for vehicles weighing greater than 4,000 pounds: 2005-2009
- \$25.00 for all types of vehicles: 1990-2004

Tobacco Tax:

- \$0.35 on pack of twenty cigarettes: 2004-2009
- \$0.15 on pack of twenty cigarettes: 1990-2003

Lodging Tax:

- A tax of 5.5% of the charge made for each room rented per night. In FY 2001, Lynchburg changed the lodging tax from 5.5% to 5.5% plus \$1 per room per night. Of the total lodging taxes, \$670,000 is allocated for tourism.

Meals Tax:

- A tax of 6.5% on prepared meals sold in the City in addition to Sales Tax. In FY 2005, Lynchburg changed the meals tax from 6.0% to 6.5%.

Ambulance Services:

- Basic Life Services – for the incidents classified as an emergency, the charge is \$350 and an additional \$8 for each mile the patient is transported. If it is classified as a non-emergency, the charge is \$325.
- Advanced Life Support – for the incidents classified as an emergency, the fee is \$450; non-emergency - \$425.
- A fee of \$575 is charged if three or more different medications combined with at least one Advanced Life Support procedure are administered.

TAXES DUE

Real estate taxes are levied as of the first day of July each year. Supplemental real estate taxes are levied in June to reflect construction in progress during the fiscal year with a tax due date in August. Real estate taxes are payable in four quarterly installments on November 15, January 15, March 15, and May 15. If paid thereafter, a 10% penalty and interest at the rate of 10% per annum is added.

Personal property taxes are payable in two equal installments on June 5 and December 5. Additional billings for personal property acquisitions are due March 5 and September 5.

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2009
(Continued)

DELINQUENT TAXES

Real estate and personal property taxes are reported delinquent the day after the due date. Therefore, the day after each installment due date, if the taxes are unpaid, they are considered delinquent.

OVERLAPPING AREAS AND DEBT

The City of Lynchburg is autonomous and entirely independent of any county or any other political subdivision of the state, being a separate and distinct political unit since 1852.

It is not coterminous with, nor subject to any county or school district taxation, and is not liable for any indebtedness other than its own. It has the power to levy taxes on all real and tangible personal property without limitation of rate or amount.

FUND BALANCE POLICY

The City council adopted a resolution in 1999 that was reaffirmed in 2006, which established major policy goal of maintaining the Undesignated General Balance at a level to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. The Fund Balance Policy states:

- The City will maintain a minimum Undesignated General Fund Balance equal to 10% of General Fund revenues. In the event the Undesignated General Fund Balance is used to provide for temporary funding of unforeseen emergency needs, the City shall restore the Undesignated General Fund Balance to the minimum of 10% over five fiscal years.
- The City shall not use the Undesignated General Fund Balance to finance recurring operating expenditures.
- Funds in excess of the targeted 10% fund balance may be considered to supplement “pay-as-you-go” capital outlay expenditures, other non-recurring expenditures or as additions to fund balance.

DEBT MANAGEMENT POLICY

The City council adopted a resolution on August 10, 1999, which was revised in 2006 establishing guidelines for the planning, issuance and management of debt, for and on behalf of City of Lynchburg. The City will issue debt for the purpose of acquiring or constructing capital projects and for making major renovations to existing capital projects. The City shall comply with all its undertakings in accordance with Securities and Exchange Commission Rule 15c2-12 and will follow the Government Finance Officers’ Association and Securities and Exchange Commission requirements for continuing disclosure. Two types of debt obligations are used by the City:

- Tax supported obligations are those that are expected to be repaid from the General Fund tax revenue of the City of Lynchburg. These include general obligation bonds (except self-supporting bonds) and capital leases. General obligation bonds issued for self-supporting enterprise funds are not included in calculations of tax-supported bonds.
- Revenue-supported obligations are those for which the debt service is payable solely from the revenue generated from the operation of the project being financed or a category of facilities (i.e. water and sewer). These are not considered tax-supported debt of the City.

The City may use the Virginia Public School Authority (VPSA) or State Literary Fund loans to finance school capital projects. City bonds sold to the VPSA and Literary Fund loans constitute general obligation debt of the City. City Council shall approve any application to the VPSA or the Department of Education for a Literary Fund loan. City Council shall approve the issuance of the bonds as required by the Public Finance Act. The School Board shall recommend such financings before a proposed financing is brought to City Council for approval.

CITY OF LYNCHBURG, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2009
(Continued)

BUDGET POLICY

The City council adopted a resolution November 14, 2000 which was revised in 2006.

Principles

- Public participation in the budgetary process will be encouraged.
- The City will avoid dedicating revenue to a specific project or program because of the constraint this may place on flexibility in resource allocation except in instances where programs are expected to be self-sufficient or where revenue is dedicated to a program for statutory or policy reasons.
- The budget process will be coordinated in a way that major policy issues are identified for City Council several months prior to consideration of budget approval. This will allow adequate time for appropriate decisions and analysis of financial impacts.

QUARTERLY FINANCIAL REPORTING

The City Manager will present to the City Council's Finance Committee (with copies to the remainder of Council) quarterly financial reports identifying meaningful trends in revenues and expenditures for the General, Water and Sewer, Airport, Stadium, Comprehensive Services Act, and Juvenile Detention Funds.

Third Quarter Review

In mid-March, City staff will evaluate all expenditures and revenues as compared to budget and make recommendations to City Council regarding possible adjustments. Section 15.2-2507 of the *Code of Virginia* requires that a public hearing be held prior to City Council action when the potential increases in the appropriation are greater than one percent of revenues.

INVESTMENT POLICY

The City council adopted an investment policy on September 25, 2001, which was revised in 2006 establishing specific requirements or limitations imposed upon the investment of Bond Proceeds, Debt Service Funds and Debt Service Reserve Funds. It is the policy of the City of Lynchburg that the investment and administration of its funds be made in accordance with the Code of Virginia Investment of Public Funds Act, the applicable provisions of any outstanding bond indebtedness, and this policy. It is the intent of the City to be in complete compliance with all applicable federal, state and local laws, and other regulations and statutes governing the investment of public funds. Within those parameters, the goal of this policy is to achieve the highest rate of return that is reasonable. The City will establish an Investment Committee consisting of the City Manager, Deputy City Manager, and Director of Financial Services. This Committee will provide broad policy oversight over investments. This policy will be reviewed on an annual basis. Any changes must be approved by the Investment Committee and be reaffirmed by City Council.

CITY OF LYNCHBURG, VIRGINIA

TABLE 1

**NET ASSETS BY COMPONENT,
LAST EIGHT FISCAL YEARS**
(accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Governmental Activities								
Invested in capital assets, net of related debt	\$ 127,767,609	\$ 130,892,517	\$ 135,832,636	\$ 140,548,447	\$ 139,205,720	\$ 139,856,317	\$ 143,158,392	\$ 155,791,105
Restricted	5,212,611	55,409	-	-	171,844	-	19,975,370	20,149,056
Unrestricted	20,948,687	30,244,439	32,330,375	33,754,620	46,486,579	56,819,180	58,219,507	64,928,380
Total governmental activities net assets	<u>\$ 153,928,907</u>	<u>\$ 161,192,365</u>	<u>\$ 168,163,011</u>	<u>\$ 174,303,067</u>	<u>\$ 185,864,143</u>	<u>\$ 196,675,497</u>	<u>\$ 221,353,269</u>	<u>\$ 240,868,541</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 106,057,802	\$ 105,589,397	\$ 112,022,931	\$ 119,234,122	\$ 125,543,179	\$ 134,385,674	\$ 146,157,075	\$ 152,089,577
Restricted	1,055,706	7,184,652	-	-	-	1,765	4,708	8,786
Unrestricted	14,399,615	15,561,278	22,972,124	26,928,368	29,667,849	35,582,153	33,515,192	18,461,675
Total business-type activities net assets	<u>\$ 121,513,123</u>	<u>\$ 128,335,327</u>	<u>\$ 134,995,055</u>	<u>\$ 146,162,490</u>	<u>\$ 155,211,028</u>	<u>\$ 169,969,592</u>	<u>\$ 179,676,975</u>	<u>\$ 170,560,038</u>
Primary government								
Invested in capital assets, net of related debt	\$ 233,825,411	\$ 236,481,914	\$ 247,855,567	\$ 259,782,569	\$ 264,748,899	\$ 274,241,991	\$ 289,315,467	\$ 307,880,682
Restricted	6,268,317	7,240,061	-	-	171,844	1,765	19,980,078	20,157,842
Unrestricted	35,348,302	45,805,717	55,302,499	60,682,988	76,154,428	92,401,333	91,734,699	83,390,055
Total primary government net assets	<u>\$ 275,442,030</u>	<u>\$ 289,527,692</u>	<u>\$ 303,158,066</u>	<u>\$ 320,465,557</u>	<u>\$ 341,075,171</u>	<u>\$ 366,645,089</u>	<u>\$ 401,030,244</u>	<u>\$ 411,428,579</u>

**CHANGES IN NET ASSETS,
LAST EIGHT FISCAL YEARS**
(accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Expenses								
Governmental Activities:								
General Government	\$ 13,407,536	\$ 15,127,680	\$ 9,474,943	\$ 10,120,602	\$ 11,727,655	\$ 12,148,875	\$ 13,397,520	\$ 14,572,569
Judicial	3,455,684	3,846,581	4,336,165	4,717,917	5,099,725	5,471,591	5,626,570	5,707,528
Public Safety	28,899,317	28,911,487	33,858,886	35,823,077	39,639,402	40,397,195	43,152,656	43,233,506
Public Works	17,930,578	20,819,441	17,638,226	18,764,769	20,760,247	19,643,233	21,511,617	28,957,020
Health and Human Services	19,122,950	19,704,149	20,391,462	21,328,976	20,095,986	23,439,351	27,078,262	26,097,589
Culture and Recreation	2,098,535	4,262,645	7,895,722	8,195,390	8,943,345	9,432,337	10,247,701	10,364,636
Community Development	6,403,903	5,298,688	10,373,473	6,375,560	6,469,555	6,759,110	5,284,797	4,974,659
Education	39,746,612	28,371,163	27,680,572	28,638,013	32,618,426	33,539,288	36,727,401	35,807,016
Interest Payments and Fiscal Charges	2,334,975	4,230,625	3,520,381	4,634,912	4,999,355	5,444,098	5,821,141	5,605,088
Non-departmental	3,327,441	2,806,878	-	-	-	-	-	-
Issuance Costs	-	-	-	192,828	173,943	-	216,051	-
Total governmental activities expenses	136,727,531	133,379,337	135,169,830	138,792,044	150,527,639	156,275,078	169,063,716	175,319,611
Business-type activities:								
Solid Waste Management	4,805,161	5,488,691	6,902,366	5,794,660	5,599,954	6,436,950	8,240,113	206,551
Airport	3,178,673	3,118,741	3,623,207	3,405,121	3,505,550	3,545,346	3,882,343	4,062,502
Water	8,052,358	7,855,213	8,859,383	8,743,519	9,273,940	9,846,038	11,406,440	11,274,496
Sewer	10,677,119	11,093,129	13,165,634	11,800,236	12,431,230	12,757,627	14,431,645	14,976,951
Total business-type activities expenses	26,713,311	27,555,774	32,550,590	29,743,536	30,810,674	32,585,961	37,960,541	30,520,500
Total primary government expenses	\$ 163,440,842	\$ 160,935,111	\$ 167,720,420	\$ 168,535,580	\$ 181,338,313	\$ 188,861,039	\$ 207,024,257	\$ 205,840,111

(Continued)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

CHANGES IN NET ASSETS (CONTINUED)
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Program Revenues (see Table 3)								
Governmental Activities:								
Charges for services:								
General government	\$ 693,327	\$ 284,055	\$ 416,760	\$ 401,099	\$ 466,636	\$ 398,188	\$ 556,888	\$ 548,729
Judicial	701,093	640,239	625,331	620,348	741,266	730,625	716,313	737,613
Public safety	5,571,231	3,885,871	3,124,914	3,185,126	4,917,707	5,398,675	5,059,318	4,104,152
Public works	769,117	572,327	209,994	140,291	185,474	98,025	198,841	993,935
Health and human services	564,261	754,347	709,578	2,386,199	1,685,316	1,817,260	2,458,875	2,385,901
Cultural and Recreational	530,239	517,625	1,350,148	1,675,398.00	1,810,243	1,888,695	1,916,356	2,126,732
Community development	1,018,332	753,452	1,097,437	693,244	1,093,999	887,401	916,926	600,480
Operating Grants and Contributions	26,702,238	28,241,733	34,083,736	29,927,625	32,475,807	33,925,919	36,346,157	32,423,390
Capital Grants and Contributions	3,014,959	3,353,102	2,062,659	4,119,640	2,435,928	2,217,419	24,914,181	12,940,905
Total governmental activities program services	39,564,797	39,002,751	43,680,557	43,148,970	45,812,376	47,362,207	73,083,855	56,861,837
Business-type activities:								
Charges for services:								
Solid Waste Management	4,842,010	5,459,258	6,352,423	6,985,739	7,219,229	7,276,645	6,313,555	-
Airport	1,187,905	1,586,178	1,480,543	1,637,730	1,762,826	1,848,109	1,839,685	1,967,871
Water	8,312,263	8,607,032	9,001,806	9,488,676	10,352,303	10,397,780	11,269,882	11,705,595
Sewer	12,705,123	13,932,357	13,919,612	14,682,219	15,405,174	16,040,587	17,861,892	17,716,586
Operating Grants and Contributions	508,357	423,729	272,894	311,173	415,801	398,850	406,261	178,948
Capital Grants and Contributions	7,602,178	3,982,334	7,203,733	5,562,333	3,066,896	8,918,563	7,490,370	4,826,469
Total business-type activities program revenues	35,157,836	33,990,888	38,231,011	38,667,870	38,222,229	44,880,534	45,181,645	36,395,469
Total primary government program revenues	\$ 74,722,633	\$ 72,993,639	\$ 81,911,568	\$ 81,816,840	\$ 84,034,605	\$ 92,242,741	\$ 118,265,500	\$ 93,257,306
Net (Expense) Revenue								
Governmental Activities	\$ (97,162,734)	\$ (94,376,586)	\$ (91,489,273)	\$ (95,643,074)	\$ (104,715,263)	\$ (108,912,871)	\$ (95,979,861)	\$ (118,457,774)
Business-type Activities	8,444,525	6,435,114	5,680,421	8,924,334	7,411,555	12,294,573	7,221,104	5,874,969
Total Primary Government Net Expenses	\$ (88,718,209)	\$ (87,941,472)	\$ (85,808,852)	\$ (86,718,740)	\$ (97,303,708)	\$ (96,618,298)	\$ (88,758,757)	\$ (112,582,805)

TABLE 2
(Continued)

CITY OF LYNCHBURG, VIRGINIA

CHANGES IN NET ASSETS (CONTINUED)
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes								
Property taxes	\$ 44,751,894	\$ 43,783,096	\$ 47,696,680	\$ 49,831,096	\$ 60,191,431	\$ 57,241,907	\$ 63,187,947	\$ 65,185,656
Local sales and use taxes	11,905,178	11,027,631	11,528,820	12,221,811	13,319,691	14,481,096	14,266,750	13,056,829
Meals taxes	6,924,931	6,984,195	7,561,387	8,666,117	9,423,830	10,000,796	10,326,953	10,477,061
Consumer utility taxes	6,183,638	6,826,740	6,892,926	8,397,849	6,840,948	5,835,367	4,793,431	4,739,261
Business license taxes	6,561,439	6,712,152	6,507,848	7,032,917	7,675,284	7,922,666	8,010,597	7,913,270
Communications sales and use tax	-	-	-	-	-	1,669,968	3,893,158	3,537,283
Other taxes	5,831,208	6,037,923	6,509,095	6,096,139	6,794,113	6,697,407	5,827,855	5,719,878
Unrestricted intergovernmental	8,627,063	8,961,598	8,450,138	8,405,457	9,434,886	9,687,718	6,227,484	5,601,254
Interest	987,575	613,103	235,434	954,317	1,785,705	3,082,813	3,522,533	1,716,449
Miscellaneous	2,775,382	3,008,299	1,234,747	1,090,845	1,605,259	1,919,538	1,026,286	3,827,687
Transfers	1,322,247	571,552	(217,924)	(469,136)	(304,924)	11,134	(577,893)	16,198,418
Gain (Loss) on sale of assets	277,308	122,302	(22,450)	(705,032)	-	-	152,532	-
Total governmental activities	96,147,863	94,648,591	96,376,701	101,522,380	116,766,223	118,550,410	120,657,633	137,973,046
Business-type activities:								
Interest	852,564	952,358	340,736	582,522	1,248,981	2,382,245	1,784,508	825,779
Miscellaneous	72,254	196,873	331,018	105,329	83,078	92,880	123,878	297,033
Transfers	(1,322,247)	(571,552)	217,924	469,136	304,924	(11,134)	577,893	(16,198,418)
Gain on sale of assets	(15,141)	(190,589)	(334,742)	(363,989)	-	-	-	83,700
Total business-type activities	(412,570)	387,090	554,936	792,998	1,636,983	2,463,991	2,486,279	(14,991,906)
Total primary government	\$ 95,735,293	\$ 95,035,681	\$ 96,931,637	\$ 102,315,378	\$ 118,403,206	\$ 121,014,401	\$ 123,143,912	\$ 122,981,140
Changes in Net Assets								
Governmental activities	\$ (1,014,871)	\$ 272,005	\$ 4,887,428	\$ 5,879,306	\$ 12,050,960	\$ 9,637,539	\$ 24,677,772	\$ 19,515,272
Business-type activities	8,031,955	6,822,204	6,235,357	9,717,332	9,048,538	14,758,564	9,707,383	(9,116,937)
Total primary government	\$ 7,017,084	\$ 7,094,209	\$ 11,122,785	\$ 15,596,638	\$ 21,099,498	\$ 24,396,103	\$ 34,385,155	\$ 10,398,335

**PROGRAM REVENUES BY FUNCTION/PROGRAM,
LAST EIGHT FISCAL YEARS**
(accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Function/Program								
Governmental Activities:								
General Government	\$ 1,026,760	\$ 577,940	\$ 716,128	\$ 726,708	\$ 785,105	\$ 734,876	\$ 942,144	\$ 900,082
Judicial	1,849,060	2,777,001	2,790,371	3,716,905	3,907,807	3,978,858	4,477,871	4,319,914
Public Safety	10,624,762	7,356,929	6,588,169	6,235,060	8,551,169	8,489,027	11,106,642	11,638,433
Public Works	10,057,326	8,854,787	7,557,688	8,821,426	9,246,609	9,143,028	31,409,029	13,461,837
Health and Human Services	10,973,496	13,065,116	15,501,010	15,273,759	15,728,602	17,439,083	20,030,396	20,093,434
Culture and Recreation	745,962	737,337	2,143,741	1,973,444	2,085,063	2,125,708	2,117,677	2,332,948
Community Development	4,226,879	4,004,873	7,060,174	3,114,730	3,658,669	3,239,533	2,134,843	3,322,867
Education	60,552	1,628,768	1,323,276	3,286,938	1,849,352	2,212,094	865,253	792,322
Subtotal governmental activities	39,564,797	39,002,751	43,680,557	43,148,970	45,812,376	47,362,207	73,083,855	56,861,837
Business-type activities:								
Solid Waste Management	5,040,888	5,650,297	6,554,259	7,185,377	7,423,363	7,478,380	6,517,869	-
Airport	2,689,846	2,554,723	4,004,944	3,213,025	3,468,328	10,159,028	7,283,243	2,889,032
Water	8,312,263	8,607,032	9,001,806	9,697,544	10,352,303	10,397,780	11,269,882	11,705,595
Sewer	19,114,839	17,178,836	18,670,002	18,571,924	16,978,235	16,845,346	20,110,651	21,800,842
Subtotal business-type activities	35,157,836	33,990,888	38,231,011	38,667,870	38,222,229	44,880,534	45,181,645	36,395,469
Total primary government	\$ 74,722,633	\$ 72,993,639	\$ 81,911,568	\$ 81,816,840	\$ 84,034,605	\$ 92,242,741	\$ 118,265,500	\$ 93,257,306

(1) The Solid Waste Management fund was closed during FY 2009.

TABLE 4

**FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS**
(modified accrual basis of accounting)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 1,309,512	\$ 493,057	\$ 438,570	\$ 944,980	\$ 933,133	\$ 1,131,403	\$ 879,657	\$ 1,236,149	\$ 2,406,773	\$ 719,850
Unreserved	26,067,639	20,741,941	22,143,078	20,912,864	22,830,309	25,356,742	35,906,892	31,541,207	32,158,992	36,459,043
Total General Fund	<u>\$ 27,377,151</u>	<u>\$ 21,234,998</u>	<u>\$ 22,581,648</u>	<u>\$ 21,857,844</u>	<u>\$ 23,763,442</u>	<u>\$ 26,488,145</u>	<u>\$ 36,786,549</u>	<u>\$ 32,777,356</u>	<u>\$ 34,565,765</u>	<u>\$ 37,178,893</u>
All Other Governmental Funds										
Reserved	\$ 837,937	\$ 467,111	\$ 408,325	\$ 2,539,641	\$ 14,416,749	\$ 6,941,128	\$ 6,687,005	\$ 5,430,322	\$ 44,832,256	\$ 31,264,091
Unreserved, reported in:										
Special revenue funds	(251,968)	2,259,604	1,148,588	3,019,561	3,901,971	3,464,014	4,071,768	3,219,576	1,082,960	4,263,967
Capital projects funds	(627,007)	5,358,356	969,282	3,185,163	730,434	(2,600,639)	9,825,526	13,985,011	6,697,269	11,646,868
Total All Other Governmental Funds	<u>\$ (41,038)</u>	<u>\$ 8,085,071</u>	<u>\$ 2,526,195</u>	<u>\$ 8,744,365</u>	<u>\$ 19,049,154</u>	<u>\$ 7,804,503</u>	<u>\$ 20,584,299</u>	<u>\$ 22,634,909</u>	<u>\$ 52,612,485</u>	<u>\$ 47,174,926</u>

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$75,261,807	\$ 78,904,476	\$ 79,972,330	\$ 81,766,514	\$ 86,781,006	\$ 92,733,402	\$103,986,837	\$ 102,976,887	\$ 110,668,029	\$ 110,330,014
Regulatory licenses, permits and privilege fees	671,067	700,188	727,489	675,311	738,887	635,880	1,025,782	887,272	849,742	650,514
Intergovernmental	31,498,320	38,900,160	36,758,660	39,762,030	42,590,744	40,066,285	43,636,173	45,511,572	67,254,109	50,772,908
Fines and forfeitures	807,230	733,148	776,701	538,753	551,716	552,797	593,518	581,986	586,661	612,595
Revenue from use of money and property	2,972,228	2,761,993	1,653,469	1,070,082	1,473,169	2,236,442	3,092,260	4,438,852	4,843,948	3,113,910
Charges for services	6,929,195	7,249,832	6,588,909	5,725,305	8,384,511	9,968,139	10,362,547	10,480,891	11,155,656	11,782,655
Miscellaneous	3,737,036	3,649,751	3,496,031	4,618,072	3,125,934	1,880,832	2,158,618	2,019,557	1,035,977	2,317,772
Total revenues	121,876,883	132,899,548	129,973,589	134,156,067	143,645,967	148,073,777	164,855,735	166,897,017	196,394,122	179,580,368
Expenditures										
General government	10,631,360	10,292,091	13,258,157	14,601,433	12,130,482	12,772,780	13,236,092	14,284,594	15,154,232	16,444,996
Judicial	2,949,446	3,405,999	3,320,619	3,699,569	4,134,506	4,573,231	4,875,257	5,279,455	5,415,089	5,501,728
Public Safety	26,389,286	27,278,757	27,910,760	27,475,148	33,129,964	35,179,870	36,850,835	38,394,220	40,825,467	42,382,938
Public Works	16,584,960	13,127,121	12,112,402	13,549,915	10,271,407	16,347,027	14,294,952	13,054,801	16,138,909	21,673,700
Health and human services	16,922,265	17,597,486	18,738,254	17,590,464	26,853,682	20,883,082	20,815,071	22,886,119	26,320,281	25,693,662
Cultural and recreational	1,621,449	1,668,327	1,717,189	3,929,095	7,549,794	7,770,918	8,291,783	8,753,747	9,200,360	9,496,115
Community development	6,224,694	7,732,311	6,401,530	4,820,850	8,514,631	6,352,211	6,333,310	6,716,287	5,097,359	4,868,009
Education (1)	-	-	3,644	27,025,411	26,005,227	27,714,269	30,057,224	30,330,939	33,034,935	32,161,230
Non-departmental (2)	5,531,207	4,925,107	3,327,441	2,806,878	-	-	-	-	-	-
Capital Outlay										
Capital general government (4)	12,177,055	8,706,840	6,548,077	10,402,729	25,350,920	13,049,200	13,958,226	14,285,864	12,561,339	32,654,790
Debt Services										
Principal Retirement	3,834,123	3,787,898	5,219,573	23,058,352	18,957,684	7,431,610	18,870,007	8,428,304	8,400,119	8,582,070
Interest payments and other fiscal charges	2,253,317	2,493,702	2,357,402	3,862,166	4,417,364	4,584,994	4,554,384	5,113,526	5,519,494	5,455,250
Issuance costs	-	-	-	-	-	192,826	173,943	-	216,051	-
Total expenditures	105,119,162	101,015,639	100,915,048	152,822,010	177,315,661	156,852,018	172,311,084	167,527,856	177,883,635	204,914,488
Excess (deficiency) of revenues over expenditures	16,757,721	31,883,909	29,058,541	(18,665,943)	(33,669,694)	(8,778,241)	(7,455,349)	(630,839)	18,510,487	(25,334,120)

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Other financing sources (uses)										
Proceeds from debt issues	\$ 3,345,000	\$ 6,255,575	\$ -	\$ 26,306,594	\$ 47,234,898	\$ -	\$ 31,725,694	\$ -	\$ 16,788,389	\$ 6,156,611
Premium on debt proceeds	-	-	-	-	-	-	732,486	-	167,163	-
Construction advance (3)	-	-	-	(3,525,664)	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	26,322,927	-	-	4,824,128	-
Issuance of refunding capital lease	-	-	-	-	-	1,679,825	-	-	-	-
Refunded bond principal payments	-	-	-	-	-	-	-	-	(4,756,894)	-
Payments to escrow agent	-	-	-	-	-	(28,063,727)	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	1,938,525	-	-	-	-
Transfers to component units	(29,043,108)	(30,634,768)	(31,462,089)	-	-	-	-	-	-	-
Transfers in	6,094,699	7,338,468	3,324,609	6,660,812	6,857,148	4,731,105	4,969,990	14,494,290	7,790,103	25,197,199
Transfers out	(6,832,789)	(11,707,086)	(5,133,287)	(7,786,893)	(8,544,661)	(6,550,242)	(6,894,621)	(16,995,849)	(11,557,391)	(8,844,121)
Total other financing sources (uses)	(26,436,198)	(28,747,811)	(33,270,767)	21,654,849	45,547,385	58,413	30,533,549	(2,501,559)	13,255,498	22,509,689
Net Change in fund balances	\$ (9,678,477)	\$ 3,136,098	\$ (4,212,226)	\$ 2,988,906	\$ 11,877,691	\$ (8,719,828)	\$ 23,078,200	\$ (3,132,398)	\$ 31,765,985	\$ (2,824,431)
Debt Service as a percentage of noncapital expenditures	6.55%	6.80%	8.03%	18.90%	15.38%	8.49%	14.90%	8.84%	8.55%	8.15%

(1) Education was included in transfers to component units prior to FY 2003

(2) Non-departmental expenditures began being allocated in FY 2004

(3) The construction advance was to fund the E.C. Glass High School renovation project that was ahead of the projected schedule for completion.

(4) Beginning with restating FY 2006, and going forward, capital outlay was adjusted to reflect all capital expenditures. The functional categories of current expenditures were adjusted to reflect the reduction for capital expenditures already reported.

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Revenues:								
Taxes	\$ 79,972,330	\$ 80,652,301	\$ 85,774,800	\$ 91,739,497	\$ 103,012,216	\$ 102,480,268	\$110,636,590	\$110,297,053
Regulatory licenses, permits, and privilege fees	727,489	675,311	738,887	635,880	1,025,782	887,272	849,742	650,514
Intergovernmental	26,464,743	28,410,482	27,295,898	27,321,323	30,391,990	31,311,980	33,410,321	33,646,195
Fines & forfeitures	776,701	538,753	551,716	552,797	593,518	581,986	586,661	612,595
Revenues from use of money & property	1,395,847	920,401	797,531	1,373,658	2,130,172	3,377,730	3,308,104	1,403,024
Charges for services	3,177,610	3,486,991	6,371,250	6,442,510	7,376,311	7,083,847	7,198,099	7,593,070
Miscellaneous	3,009,763	3,283,568	666,969	955,066	1,261,164	387,005	452,272	1,168,236
Total revenues	115,524,483	117,967,807	122,197,051	129,020,731	145,791,153	146,110,088	156,441,789	155,370,687
Expenditures:								
Current operating expenditures:								
General government	13,258,157	14,421,107	11,960,240	12,499,485	13,176,072	14,111,441	14,561,922	15,808,721
Judicial	3,320,619	3,560,726	3,303,952	3,536,008	3,827,095	4,182,946	4,423,005	4,457,959
Public safety	21,951,566	22,472,414	29,178,810	31,113,303	32,782,350	34,640,217	36,703,695	36,981,993
Public works	11,998,157	13,541,234	10,244,342	10,616,660	11,801,684	11,565,845	11,257,662	17,209,120
Health and human services	14,844,129	14,596,916	21,317,811	15,744,061	16,111,220	16,577,034	18,890,171	19,126,038
Cultural & recreational	1,637,069	3,874,887	6,427,237	6,466,171	6,926,949	7,287,216	7,691,627	7,794,603
Community development	3,133,884	2,082,214	3,102,768	3,874,987	3,559,260	4,034,373	3,936,251	3,730,495
Education (1)	-	27,025,411	26,005,227	27,125,060	29,894,763	30,418,183	32,932,233	32,150,370
Non-departmental	3,327,391	2,683,294	-	-	-	-	-	-
Debt service:								
Principal retirements	3,293,886	21,322,543	17,839,066	7,024,174	18,326,124	7,702,865	7,812,969	8,152,512
Interest payments and other fiscal charges	1,882,148	3,479,744	3,848,634	4,246,388	4,273,525	4,794,314	5,212,231	5,121,995
Issuance costs	-	-	-	161,433	146,165	-	127,866	-
Total expenditures	78,647,006	129,060,490	133,228,087	122,407,730	140,825,207	135,314,434	143,549,632	150,533,806
Excess (deficiency) of revenues over expenditures	36,877,477	(11,092,683)	(11,031,036)	6,613,001	4,965,946	10,795,654	12,892,157	4,836,881
Other financing sources (uses):								
Issuance of bonds	-	15,648,755	19,063,115	-	10,644,739	-	69,980	-
Premium on debt proceeds	-	-	-	-	361,837	-	-	-
Issuance of refunding bonds	-	-	-	24,393,868	-	-	4,106,224	-
Refunded bond principal payments	-	-	-	-	-	-	(4,048,996)	-
Payments to escrow agent	-	-	-	(24,152,140)	-	-	-	-
Transfers in	729,759	1,696,702	927,197	994,616	504,783	126,333	26,150	6,450,066
Transfers out	(4,798,497)	(6,976,578)	(7,065,218)	(5,182,642)	(6,178,901)	(15,241,180)	(11,257,106)	(8,673,819)
Transfers to component units (1)	(31,462,089)	-	-	-	-	-	-	-
Total other financing sources (uses)	(35,530,827)	10,368,879	12,925,094	(3,946,298)	5,332,458	(15,114,847)	(11,103,748)	(2,223,753)
Net changes in fund balances	1,346,650	(723,804)	1,894,058	2,666,703	10,298,404	(4,319,193)	1,788,409	2,613,128
Fund balance - beginning, as restated(2)	21,234,998	22,581,648	21,869,384	23,821,442	26,488,145	37,096,549	32,777,356	34,565,765
Fund balance - ending	\$ 22,581,648	\$ 21,857,844	\$ 23,763,442	\$ 26,488,145	\$ 36,786,549	\$ 32,777,356	\$ 34,565,765	\$ 37,178,893

(1) For FY 2003 and prospectively, the General Fund transfer to Lynchburg City Schools (component unit) was reclassified as an education expenditure.

(2) Beginning fund balance restated as of June 30, 2003, June 30, 2004, and June 30, 2006. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004, June 30, 2005, and June 30, 2007.

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SCHOOL FUND
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Revenues:								
Intergovernmental	\$ 34,896,406	\$ 35,813,533	\$ 63,603,079	\$ 67,442,823	\$ 71,207,508	\$ 78,033,072	\$ 82,325,106	\$ 86,283,375
Revenue from use of money & property	4,807	-	1,643	2,100	32,611	31,600	34,279	6,748
Charges for services	394,267	390,409	386,744	324,097	395,382	1,344,909	1,380,153	1,367,940
Miscellaneous	206,984	27,266,567	203,831	392,233	343,074	159,662	208,542	111,542
Total revenues	<u>35,502,464</u>	<u>63,470,509</u>	<u>64,195,297</u>	<u>68,161,253</u>	<u>71,978,575</u>	<u>79,569,243</u>	<u>83,948,080</u>	<u>87,769,605</u>
Expenditures:								
Education:								
Instruction	1,830,300	49,580,140	49,693,140	52,327,742	55,484,371	60,849,179	63,943,555	66,182,342
Administration, attendance, and health	48,509,600	1,741,567	2,062,680	2,128,927	2,424,016	2,821,351	4,301,683	4,962,843
Pupil transportation services	2,903,845	2,990,460	3,001,085	3,214,586	3,774,716	4,112,219	4,698,221	4,122,671
Operations and maintenance	6,571,305	7,349,258	7,575,110	7,976,868	8,890,256	10,086,015	9,876,043	10,336,820
Food service and other	-	-	-	-	-	-	-	528
Facilities	-	-	858,962	-	-	-	-	55,414
Capital outlay	2,994,244	2,183,590	1,471,364	2,698,587	1,956,743	1,373,409	1,779,204	1,942,808
Debt service: (1)								
Principal retirements	1,929,342	-	737,511	724,075	782,024	867,874	834,058	947,970
Interest payments	1,696,173	-	58,727	48,412	92,951	80,702	93,842	89,419
Total expenditures	<u>66,434,809</u>	<u>63,845,015</u>	<u>65,458,579</u>	<u>69,119,197</u>	<u>73,405,077</u>	<u>80,190,749</u>	<u>85,526,606</u>	<u>88,640,815</u>
Excess (deficiency) of revenues over expenditures	<u>(30,932,345)</u>	<u>(374,506)</u>	<u>(1,263,282)</u>	<u>(957,944)</u>	<u>(1,426,502)</u>	<u>(621,506)</u>	<u>(1,578,526)</u>	<u>(871,210)</u>
Other financing sources (uses):								
Capital lease proceeds	1,000,000	1,000,000	-	1,500,000	750,000	1,000,000	1,000,000	1,000,000
Operating transfers in (out)	(1,063,986)	(120,810)	-	-	-	-	-	-
Transfers from primary government (1)	31,162,089	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>31,098,103</u>	<u>879,190</u>	<u>-</u>	<u>1,500,000</u>	<u>750,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Net change in fund balances	<u>165,758</u>	<u>504,684</u>	<u>(1,263,282)</u>	<u>542,056</u>	<u>(676,502)</u>	<u>378,494</u>	<u>(578,526)</u>	<u>128,790</u>
Fund balance - beginning (2)	<u>2,188,087</u>	<u>2,353,845</u>	<u>2,260,909</u>	<u>997,627</u>	<u>1,539,683</u>	<u>863,181</u>	<u>1,241,675</u>	<u>663,149</u>
Fund balance - ending	<u>\$ 2,353,845</u>	<u>\$ 2,858,529</u>	<u>\$ 997,627</u>	<u>\$ 1,539,683</u>	<u>\$ 863,181</u>	<u>\$ 1,241,675</u>	<u>\$ 663,149</u>	<u>\$ 791,939</u>

(1) For FY 2003 and prospectively, transfers in from primary government were reclassified as intergovernmental revenue. Also, debt service expenditures were reclassified as debt service for the primary government rather than the component unit.

(2) Beginning fund balance restated as of June 30, 2003. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004.

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SOLID WASTE MANAGEMENT FUND
LAST EIGHT FISCAL YEARS**

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
								(3)
Operating revenues:								
Charges for services and other operating revenues	\$ 4,842,010	\$ 5,412,580	\$ 6,352,423	\$ 6,985,739	\$ 7,219,229	\$ 7,276,645	\$ 6,313,555	\$ -
Total operating revenues	4,842,010	5,412,580	6,352,423	6,985,739	7,219,229	7,276,645	6,313,555	-
Operating expenses: (2)								
Personal services and benefits	-	-	-	1,704,262	1,780,192	1,836,677	1,735,135	-
Operation and maintenance	3,194,415	3,023,374	4,882,140	481,135	539,736	789,615	1,182,370	-
Supplies and materials	-	-	-	735,989	675,795	915,039	809,041	-
Administration	756,780	701,245	67,791	1,046,949	968,816	809,909	752,468	-
Landfill closure and postclosure care	(378,687)	245,102	348,643	147,355	(10,680)	492,408	1,404,613	-
Other charges	-	-	-	68,429	45,333	62,399	58,990	-
Depreciation	814,662	869,917	905,666	836,599	816,017	770,892	1,523,214	-
Total operating expenses	4,387,170	4,839,638	6,204,240	5,020,718	4,815,209	5,676,939	7,465,831	-
Operating income (loss)	454,840	572,942	148,183	1,965,021	2,404,020	1,599,706	(1,152,276)	-
Nonoperating revenues (expenses):								
Interest income	252,415	129,867	77,098	193,886	464,624	788,040	714,888	363,207
Governmental grants	198,878	191,039	201,836	199,638	204,134	201,735	204,314	-
Miscellaneous	42,182	46,678	113,451	67,665	43,347	65,594	81,774	889
Gain (loss) on disposition of assets	(1,498)	(190,589)	(95,876)	(49,893)	(14,922)	(12,540)	(805)	83,700
Interest on long-term debt	(407,047)	(334,840)	(327,127)	(303,528)	(301,809)	(238,168)	(243,528)	(118,078)
Total nonoperating revenues (expenses)	84,930	(157,845)	(30,618)	107,768	395,374	804,661	756,643	329,718
Income before contributions and transfers	539,770	415,097	117,565	2,072,789	2,799,394	2,404,367	(395,633)	329,718
Transfers in	-	135,371	284,282	732,529	732,529	732,529	1,572,529	-
Transfers out	(1,205,438)	-	-	(371,855)	(532,855)	(582,000)	(813,500)	(16,494,268)
Change in net assets	(665,668)	550,468	401,847	2,433,463	2,999,068	2,554,896	363,396	(16,164,550)
Total net assets - beginning, as restated (1)	7,194,671	6,529,003	7,411,880	7,813,727	10,247,190	13,246,258	15,801,154	-
Ending net assets:								
Invested in capital assets, net of related debt	1,586,793	1,430,278	2,035,525	2,271,866	2,467,438	2,543,907	4,399,040	-
Restricted	6,229	-	-	-	-	-	-	-
Unrestricted	4,935,981	5,649,193	5,778,202	7,975,324	10,778,820	13,257,247	11,765,510	-
Total net assets - ending	\$ 6,529,003	\$ 7,079,471	\$ 7,813,727	\$ 10,247,190	\$ 13,246,258	\$ 15,801,154	\$ 16,164,550	\$ -

(1) Beginning fund balance restated as of June 30, 2003. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004.

(2) Beginning in FY 2005, operation and maintenance expenses reported in more detail.

(3) In FY 2009 the Solid Waste Management Fund was closed.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
WATER FUND
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Operating revenues:								
Charges for services and other operating revenues	\$ 8,312,263	\$ 8,607,032	\$ 9,001,806	\$ 9,488,676	\$ 10,352,303	\$ 10,397,780	\$ 11,269,882	\$ 11,705,595
Total operating revenues	8,312,263	8,607,032	9,001,806	9,488,676	10,352,303	10,397,780	11,269,882	11,705,595
Operating expenses: (2)								
Personal services and benefits	-	-	-	2,830,609	2,953,729	3,175,057	3,696,365	3,886,560
Operation and maintenance	4,521,720	4,449,546	3,752,474	1,120,155	1,052,595	1,086,665	1,439,712	1,296,658
Supplies and materials	-	-	-	650,421	833,802	915,748	1,409,039	1,451,738
Administration	1,030,596	910,404	2,129,563	1,318,927	1,359,399	1,329,083	1,299,889	1,227,113
Other charges	-	-	-	48,269	68,637	57,613	55,342	61,621
Depreciation	1,609,740	1,575,929	1,952,385	1,743,936	1,771,749	1,796,958	2,072,079	2,090,517
Total operating expenses	7,162,056	6,935,879	7,834,422	7,712,317	8,039,911	8,361,124	9,972,426	10,014,207
Operating income	1,150,207	1,671,153	1,167,384	1,776,359	2,312,392	2,036,656	1,297,456	1,691,388
Nonoperating revenues (expenses):								
Interest income	151,034	69,732	57,640	123,527	264,029	629,409	343,836	82,842
Miscellaneous	19,695	54,449	17,052	26,984	3,902	8,468	28,142	25,223
Loss on disposition of assets	-	-	(238,743)	(8,422)	(17,683)	(12,880)	-	-
Interest on long-term debt	(858,389)	(875,982)	(971,932)	(963,889)	(1,135,500)	(1,382,240)	(1,331,124)	(1,267,391)
Total nonoperating revenues (expenses)	(687,660)	(751,801)	(1,135,983)	(821,800)	(885,252)	(757,243)	(959,146)	(1,159,326)
Income before contributions and transfers	462,547	919,352	31,401	954,559	1,427,140	1,279,413	338,310	532,062
Capital contributions	-	-	-	208,868	-	-	-	-
Transfers out	(401,998)	(452,628)	(161,000)	(147,123)	(182,846)	(77,000)	(215,500)	-
Change in net assets	60,549	466,724	(129,599)	1,016,304	1,244,294	1,202,413	122,810	532,062
Total net assets - beginning, as restated (1)	30,757,634	30,818,183	31,108,943	30,979,344	31,995,648	33,239,942	34,442,355	34,565,165
Ending net assets:								
Invested in capital assets, net of related debt	25,031,692	25,514,601	24,348,833	25,767,489	27,805,400	27,457,812	28,835,542	29,577,116
Restricted	13,608	7,515	-	-	-	-	-	-
Unrestricted	5,772,883	5,762,791	6,630,511	6,228,159	5,434,542	6,984,543	5,729,623	5,520,111
Total net assets - ending	\$ 30,818,183	\$ 31,284,907	\$ 30,979,344	\$ 31,995,648	\$ 33,239,942	\$ 34,442,355	\$ 34,565,165	\$ 35,097,227

(1) Beginning fund balance restated as of June 30, 2003. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004.

(2) Beginning in FY 2005, operation and maintenance expenses reported in more detail.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SEWER FUND
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Operating revenues:								
Charges for services and other operating revenues	\$ 12,705,123	\$ 13,273,211	\$ 13,919,612	\$ 14,682,219	\$ 15,405,174	\$ 16,040,587	\$ 17,861,892	\$ 17,716,586
Total operating revenues	12,705,123	13,273,211	13,919,612	14,682,219	15,405,174	16,040,587	17,861,892	17,716,586
Operating expenses: (2)								
Personal services and benefits	-	-	-	1,894,076	1,919,958	2,094,012	2,497,423	2,580,269
Operation and maintenance	3,930,346	4,116,454	5,749,871	1,684,070	1,942,779	1,776,185	2,653,861	2,922,473
Supplies and materials	-	-	-	773,012	836,684	841,857	906,778	988,444
Administration	1,849,859	1,704,560	858,727	1,744,083	1,798,976	1,863,792	2,025,740	2,370,470
Other charges	-	-	-	23,902	40,887	34,347	35,078	35,903
Depreciation	3,156,787	3,312,342	3,662,382	3,777,969	3,954,820	4,108,561	4,296,493	4,430,958
Total operating expenses	8,936,992	9,133,356	10,270,980	9,897,112	10,494,104	10,718,754	12,415,373	13,328,517
Operating income	3,768,131	4,139,855	3,648,632	4,785,107	4,911,070	5,321,833	5,446,519	4,388,069
Nonoperating revenues (expenses):								
Interest income	421,275	744,837	200,511	248,236	456,342	858,384	691,799	363,942
Governmental grants	38,500	38,500	38,500	38,500	38,500	38,500	38,500	38,500
Miscellaneous	7,729	140,041	103,553	5,157	29,183	6,558	5,800	257,943
Gain (loss) on disposition of assets	(13,643)	(3,851)	2,080	(305,674)	(24,334)	-	-	-
Interest on long-term debt	(1,695,680)	(1,919,090)	(2,818,973)	(1,777,877)	(1,777,407)	(1,901,244)	(1,838,986)	(1,632,263)
Total nonoperating revenues (expenses)	(1,241,819)	(999,563)	(2,474,329)	(1,791,658)	(1,277,716)	(997,802)	(1,102,887)	(971,878)
Income before contributions and transfers	2,526,312	3,140,292	1,174,303	2,993,449	3,633,354	4,324,031	4,343,632	3,416,191
Capital contributions	6,371,216	3,867,125	4,711,890	3,851,205	1,534,561	766,259	2,210,259	4,045,756
Transfers out	(328,346)	(806,668)	(396,189)	(164,394)	(110,389)	(452,000)	(325,000)	-
Change in net assets	8,569,182	6,200,749	5,490,004	6,680,260	5,057,526	4,638,290	6,228,891	7,461,947
Total net assets - beginning, as restated (1)	53,663,821	62,233,003	68,706,621	75,646,728	82,326,988	87,384,514	92,022,804	98,251,695
Ending net assets:								
Invested in net assets, net of related debt	58,225,166	57,318,081	63,406,634	69,171,836	73,629,641	74,801,294	78,570,747	89,162,429
Restricted	11,352	7,043,943	-	-	-	-	-	-
Unrestricted	3,996,485	4,071,728	10,789,991	13,155,152	13,754,873	17,221,510	19,680,948	16,551,213
Total net assets - ending	\$ 62,233,003	\$ 68,433,752	\$ 74,196,625	\$ 82,326,988	\$ 87,384,514	\$ 92,022,804	\$ 98,251,695	\$ 105,713,642

(1) Beginning fund balance restated as of June 30, 2003 and June 30, 2004. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004 and June 30, 2005.

(2) Beginning in FY 2005, operation and maintenance expenses reported in more detail.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
AIRPORT FUND
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Operating revenues:								
Charges for services and other operating revenues	\$ 1,151,542	\$ 1,401,379	\$ 1,480,514	\$ 1,637,730	\$ 1,762,826	\$ 1,848,109	\$ 1,839,685	\$ 1,967,871
Intergovernmental	36,363	179,502	32,588	71,309	146,198	129,582	132,487	178,948
Total operating revenues	1,187,905	1,580,881	1,513,102	1,709,039	1,909,024	1,977,691	1,972,172	2,146,819
Operating expenses: (2)								
Personal services and benefits	-	-	-	1,009,935	795,052	867,626	954,186	912,723
Operation and maintenance	1,495,605	1,193,299	1,665,851	424,166	695,575	751,314	710,025	825,665
Supplies and materials	-	-	-	88,525	111,521	96,152	117,270	99,852
Administration	115,420	425,436	558,515	191,387	231,161	235,657	231,223	203,813
Other charges	-	-	-	19,803	17,678	16,004	15,683	17,935
Depreciation	1,406,045	1,397,321	1,492,120	1,546,691	1,545,339	1,568,656	1,720,304	1,911,836
Total operating expenses	3,017,070	3,016,056	3,716,486	3,280,507	3,396,326	3,535,409	3,748,691	3,971,824
Operating loss	(1,829,165)	(1,435,175)	(2,203,384)	(1,571,468)	(1,487,302)	(1,557,718)	(1,776,519)	(1,825,005)
Nonoperating revenues (expenses):								
Interest income	27,840	7,922	5,487	16,873	63,986	106,412	33,985	15,788
Governmental grants	134,947	8,532	-	1,726	26,969	29,033	30,960	-
Passenger facility charges	136,032	185,658	230,179	256,800	246,981	223,331	185,815	319,360
Miscellaneous	2,648	12,386	96,961	5,523	6,646	12,260	8,162	11,508
Gain (Loss) on disposition of assets	-	-	(2,203)	-	-	117,431	-	-
Interest on long-term debt	(150,993)	(93,583)	(120,904)	(107,691)	(89,365)	(103,910)	(108,456)	(86,964)
Total nonoperating revenues (expenses)	150,474	120,915	209,520	173,231	255,217	384,557	150,466	259,692
Loss before contributions and transfers	(1,678,691)	(1,314,260)	(1,993,864)	(1,398,237)	(1,232,085)	(1,173,161)	(1,626,053)	(1,565,313)
Capital contributions	1,230,962	769,649	2,491,843	1,245,460	1,285,354	7,928,973	5,094,296	422,853
Transfers in	613,535	552,373	490,831	419,980	398,485	367,337	359,364	295,850
Change in net assets	165,806	7,762	988,810	267,203	451,754	7,123,149	3,827,607	(846,610)
Total net assets - beginning - as restated (1)	21,865,042	22,030,848	22,033,667	23,022,477	23,289,680	23,741,434	30,864,583	34,692,190
Ending net assets:								
Invested in capital assets, net of related debt	21,197,318	21,326,437	22,231,939	22,022,931	21,640,700	29,582,661	34,351,746	33,350,032
Restricted	1,024,517	133,194	-	-	312,049	1,765	4,708	8,786
Unrestricted	(190,987)	578,979	790,538	1,266,749	1,788,685	1,280,157	335,736	486,762
Total net assets - ending	\$ 22,030,848	\$ 22,038,610	\$ 23,022,477	\$ 23,289,680	\$ 23,741,434	\$ 30,864,583	\$ 34,692,190	\$ 33,845,580

(1) Beginning fund balance restated as of June 30, 2003. See Note 19, City of Lynchburg's Comprehensive Annual Financial Report, June 30, 2004.

(2) Beginning in FY 2005, operation and maintenance expenses reported in more detail.

CITY OF LYNCHBURG, VIRGINIA

TABLE 12

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS,
LAST NINE FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Real Estate	\$ 27,396,089	\$ 29,980,713	\$ 30,820,001	\$ 34,033,120	\$ 34,949,790	\$ 39,116,533	\$ 40,449,499	\$ 45,992,171	\$ 47,630,637
PSC Taxes	2,019,807	2,218,855	2,407,289	2,440,156	2,441,684	2,123,037	2,084,337	1,859,402	2,092,537
Personal Property Tax	12,303,662	10,006,956	10,197,416	10,643,759	12,337,162	18,512,544	13,601,986	15,404,439	14,888,406
Penalties & Interest	651,445	632,433	650,448	663,897	682,712	819,079	665,421	711,491	896,215
Sales & Use Tax	11,592,048	11,905,178	11,027,631	11,528,820	12,221,813	13,319,691	14,481,096	14,266,750	13,056,829
Utility Tax (1)	6,429,867	6,183,639	6,826,740	6,892,926	7,087,224	6,870,716	5,919,376	4,861,021	4,813,312
Business License Tax	6,519,269	6,561,438	6,712,152	6,507,848	7,371,507	7,237,403	7,569,060	7,649,395	7,324,838
Franchise License Tax (1)	636,371	805,383	545,624	570,921	574,721	584,346	316,824	4,277	500
Communication Sales & Use Tax (1)	-	-	-	-	-	-	1,669,968	3,893,158	3,537,283
Motor Vehicles Licenses	1,234,155	1,248,753	1,233,855	1,246,702	1,498,014	856,406	1,491,186	1,511,831	1,572,792
Bank Stock Taxes	1,010,280	1,074,795	647,929	590,123	545,221	598,733	503,322	442,123	500,385
Taxes on Recordation and Wills	226,798	309,720	359,561	414,598	561,009	786,799	809,424	661,671	401,833
Tobacco Taxes	607,991	553,676	652,156	1,083,020	1,087,358	972,337	1,002,130	1,014,759	1,044,465
Admission and Amusement Taxes	257,513	288,175	311,639	261,647	344,161	368,680	409,473	407,024	400,835
Hotel and Motel Room Taxes	1,357,862	1,277,686	1,275,664	1,363,085	1,392,866	1,491,943	1,565,191	1,698,848	1,742,232
Restaurant Food Taxes	6,661,317	6,921,931	6,984,195	7,561,387	8,666,119	9,382,349	9,974,012	10,289,669	10,426,915
Emergency Telephone Service Tax (1)	-	-	1,114,213	978,995	972,043	946,241	464,582	-	-
Total General Government Tax Revenues	\$ 78,904,474	\$ 79,969,331	\$ 81,766,513	\$ 86,781,004	\$ 92,733,404	\$ 103,986,837	\$ 102,976,887	\$ 110,668,029	\$ 110,330,014

Source: Director of Financial Services, City of Lynchburg, Virginia.

- (1) In 2006 the General Assembly of the State of Virginia created a new tax called the Communication Sales & Use Tax. This tax will account for all communication taxes for telephone land line services and wireless services. Therefore, the utility taxes, franchise taxes, and emergency telephone service taxes will be less in FY 2007 and future years.

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE REAL PROPERTY,
LAST TEN FISCAL YEARS (1)**

(in thousands of dollars)

Fiscal Year	Residential Property(3)	Commercial Property	Industrial Property	Total Taxable Assessed Value (2)	Total Direct Tax Rate
2000	\$1,620,521,425	\$ 574,270,350	\$ 262,396,250	\$2,457,188,025	\$ 1.11
2001	1,642,029,175	598,033,300	264,948,800	2,505,011,275	1.11
2002	1,825,363,885	656,406,200	269,264,050	2,751,034,135	1.11
2003	1,874,979,135	675,181,050	274,750,900	2,824,911,085	1.11
2004	2,036,969,900	811,633,000	276,950,200	3,125,553,100	1.11
2005	2,100,441,500	827,888,000	271,014,300	3,199,343,800	1.11
2006	2,391,089,200	911,430,500	266,308,500	3,568,828,200	1.11
2007	2,464,890,200	941,845,300	275,614,800	3,682,350,300	1.11
2008	3,012,503,000	1,139,117,700	327,955,600	4,479,576,300	1.05
2009	3,324,885,100	1,241,511,300	333,785,800	4,900,182,200	1.05

Source: Real Estate Assessor, City of Lynchburg, Virginia

(1) Assessed value is as of July 1 of the each fiscal year.

(2) Excludes tax-exempt property.

(3) These figures include assessments that qualify for land use exemptions. Title 58.1-3230 through 3244 of the Code of Virginia provides for the assessment of land based on use value rather than market value. Use value is the assessment of the land for a specific purpose and is generally lower than market value. This is a local option statute adopted by the City of Lynchburg.

**ASSESSED VALUE OF ALL TAXABLE PROPERTY (1)
LAST TEN FISCAL YEARS**

Fiscal Year	Real Property (1)					Personal Property (3)				Machinery and Tools		Estimated Actual Value of Taxable Property
	Residential Property (2)(7)	Commercial Property (2)(8)	Public Service Corporation	Total	Tax Rate	Personal Property	Public Service Corporation	Total	Tax Rate	Machinery and Tools (2)	Tax Rate	
2000	\$ 1,612,754,025	\$ 836,666,600	\$ 147,404,173	\$ 2,596,824,798	\$ 1.11	\$ 411,292,462	\$ 26,207,912	\$ 437,500,374	\$ 3.30	\$ 131,817,754	\$ 3.00	\$ 3,166,142,926
2001	1,634,485,975	862,982,100	146,514,485	2,643,982,560	1.11	438,964,042	33,989,577	472,953,619	3.30	133,509,096	3.00	3,250,445,275
2002	1,817,921,235	925,670,250	163,282,375	2,906,873,860	1.11	419,024,367	33,883,382	452,907,749	3.30	106,329,586	3.00	3,466,111,195
2003	1,872,517,185	949,931,950	187,708,383	3,010,157,518	1.11	449,743,493	27,292,958	477,036,451	3.30	117,085,047	3.00	3,604,279,016
2004	2,027,995,200	1,088,583,200	185,826,527	3,302,404,927	1.11	458,996,765	28,684,711	487,681,476	3.30	125,639,040	3.00	3,915,725,443
2005	2,091,324,700	1,098,902,300	191,327,640	3,381,554,640	1.11	441,221,304	25,901,179	467,122,483	3.80	106,245,785	3.00	3,954,922,908
2006	-	-	-	-	-	464,880,808 (4)	-	464,880,808	3.80	113,654,354 (4)	3.00	578,535,162
2006	2,380,565,600	1,177,739,000	166,819,698	3,725,124,298	1.11	497,307,627 (5)	21,891,230	519,198,857	3.80	112,864,422 (5)	3.00	4,357,187,577
2007	2,454,171,000 (9)	1,217,460,100	163,455,331	3,835,086,431	1.11	514,804,057 (5)	22,435,903	537,239,960	3.80	128,776,059 (5)	3.00	4,501,102,450
2008	3,003,784,200	1,467,073,300	150,948,376	4,621,805,876	1.05	554,580,281 (5)	24,595,702	579,175,983	3.80	129,957,629 (5)	3.00	5,330,939,488
2009	3,046,940,400	1,575,297,100	160,598,625	4,782,836,125	1.05	437,309,161 (6)	23,990,045	461,299,206	3.80	138,450,839 (6)	3.00	5,382,586,170

Sources: Real Estate Assessor and Commissioner of Revenue, City of Lynchburg, Virginia

(1) Assessed value is as of July 1 of the fiscal year noted.

(2) Real estate and machinery and tools are assessed at 100% of fair market value.

(3) Effective July 1, 1989, personal property is assessed at 100% of average trade-in value.

(4) 2005 Personal Property Tax Levy in FY 2006.

(5) These figures have been updated to reflect all billings associated with the levy.

(6) 2009 Personal Property Tax Levy in FY 2009. These figures only reflect two of the four billings associated with this levy. These figures will be updated in FY 2010 to reflect all four billings.

(7) These figures are net of land use exemptions. Title 58.1-3230 through 3244 of the Code of Virginia provides for the assessment of land based on use value rather than market value. Use value is the assessment of the land for a specific purpose and is generally lower than market value. This is a local option statute adopted by the City of Lynchburg.

(8) Commercial property also includes industrial property.

(9) The residential property amount for 2007 has been updated from the Fiscal Year 2007 CAFR to reflect net of land use exemption.

**PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Type of Business	2009					2000				
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2009 Total Tax Levy	Percentage of Total Tax Levy	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2000 Total Tax Levy	Percentage of Total Tax Levy
Verizon Va, Inc.	Utility	\$ 60,669,986	1	1.13 %	\$ 648,847	0.91 %	\$ -	-	- %	\$ -	- %
AEP	Utility	58,174,545	2	1.08	612,662	0.86	46,457,702	4	1.47	1,223,599	2.89
Areva NP Inc.	Nuclear Power Design & Fuel	58,057,605	3	1.08	1,293,650	1.81	-	-	-	-	-
R R Donnelley Printing Co.	Periodical Publication Printing	51,386,077	4	0.95	1,167,361	1.63	53,760,690	3	1.70	272,427	0.64
River Ridge, Ltd.	Shopping Mall	50,000,000	5	0.93	525,000	0.73	32,566,500	6	1.03	434,197	1.03
Frito Lay, Inc.	Food Manufacturer	41,278,265	6	0.77	745,519	1.04	25,143,300	9	0.79	287,651	0.68
Genworth Financial, Inc.	Life Insurance	36,847,017	7	0.68	550,904	0.77	35,792,378	5	1.13	413,771	0.98
J D N Realty Corporation, Inc.	Real Estate Company	20,950,100	8	0.39	219,976	0.31	16,000,000	10	0.51	177,600	0.42
Bostic Development at Lynchburg, LLC	Real Estate Company	20,233,400	9	0.38	212,451	0.30	-	-	-	-	-
CCRC, Inc.	Nursing Home/Assisted Living	18,466,900	10	0.34	193,902	0.27	-	-	-	-	-
B.A. Langley	Real Estate Company	-	-	-	-	-	26,653,000	8	0.84	507,731	1.20
Ericsson-GE Mobile Communications	Mobile Communications	-	-	-	-	-	65,119,634	2	2.06	607,634	1.44
Bell Atlantic-Virginia, Inc.	Utility	-	-	-	-	-	75,018,817	1	2.37	1,614,367	3.82
	Maintenance and repair service to commercial nuclear power plants	-	-	-	-	-					
Framatome		-	-	-	-	-	30,223,213	7	0.95	240,932	0.57
Total		<u>\$ 416,063,895</u>		<u>7.73 %</u>	<u>\$ 6,170,273</u>	<u>8.61 %</u>	<u>\$ 406,735,234</u>		<u>12.85 %</u>	<u>\$ 5,779,909</u>	<u>13.67 %</u>
Total Assessed Valuation:		<u>\$ 5,382,586,170</u>					<u>\$ 3,166,142,926</u>				
Tax Levy:											
Real Estate		\$ 48,534,701									
Railroads and Pipelines		173,224									
Public Service Corporations		1,943,033									
Personal Property		<u>21,005,413</u>									
Total Tax Levy:		<u>\$ 71,656,372</u>									

Source: Real Estate Assessor and Commissioner of Revenue, City of Lynchburg, Virginia

**PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS**

Fiscal Year	Tax Levied for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections (3)	Total Collections to Date	
		Amount	Percentage of Levy (2)		Amount	Percentage of Levy (2)
2000	\$ 44,505,082	\$ 43,175,311	97.01%	\$ 1,011,960	\$ 44,187,301	99.29%
2001	46,042,983	44,634,425	96.94%	1,112,034	45,746,459	99.36%
2002	48,710,267	47,306,624	97.12%	794,603	48,101,227	98.75%
2003	50,084,951	48,306,161	96.45%	1,266,642	49,506,998	98.85%
2004	54,014,300	52,095,333	96.45%	1,164,098	53,298,447	98.67%
2005	55,674,712	54,679,067	98.21%	984,401	55,833,271	100.28%
2006	67,559,478	64,525,107	95.51%	2,513,124	67,038,231	99.23%
2007	63,281,557	60,579,970	95.73%	1,298,052	61,878,022	97.78%
2008	69,302,787	67,913,137	97.99%	1,502,353	69,415,490	100.16%
2009	70,934,803	68,912,258	97.15%	-	68,912,258	97.15%

Source: Director of Financial Services, City of Lynchburg, Virginia

- (1) Total tax levy is calculated based on the sum of Real Estate Tax and Personal Property Tax levies and any supplemental bills. Due to the implementation of a new personal property tax billing system these figures will be updated each year to reflect the supplemental bills attributable to the year the tax should have been levied.
- (2) These columns represent the amount and percentage on the tax levy within the respective tax year reporting period.
- (3) This column represents delinquent taxes collected within the respective reporting period. Beginning with fiscal year 2003 this column represents collections in subsequent years for the tax levied in the noted fiscal year.

Note:

The increase in the FY 2006 levy is a result of the change in personal property tax billing to a two installment billing system. Both installments were levied in May 2006 for calendar year 2006 personal property tax. However, only the first installment was due in June 2006 with the second installment due in December 2006. Future fiscal years will include a May levy with installments due June 5 and December 5.

PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(per \$100 of assessed valuation)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Real Estate										
Locally Assessed	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.05	\$ 1.05
Personal Property										
Locally Assessed	3.30	3.30	3.30	3.30	3.30	3.80	3.80	3.80	3.80	3.80
Machinery and Tools	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Automobiles, Trucks and Business Equipment	3.30	3.30	3.30	3.30	3.30	3.80	3.80	3.80	3.80	3.80
Public Service Corporations										
Equalized	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.05	1.05
Automobiles and Trucks	3.30	3.30	3.30	3.30	3.30	3.80	3.80	3.80	3.80	3.80

Source: Information was obtained from Official Statements related to bond issuance for June 27, 2000, April 26, 2006, and July 19, 2007.

City of Lynchburg Adopted Budget Fiscal Year 2009

Commissioner of the Revenue for City of Lynchburg, Virginia www.lyncburgva.gov

**RATIOS OF OUTSTANDING DEBT BY TYPE,
LAST TEN FISCAL YEARS**
(dollars expressed in thousands, except for per capita amounts)

Fiscal Year	Governmental Activities					Business-type Activities				Total Primary Government	Percentage of Personal Income ⁽¹⁾	Total Primary Government Bonded Debt Per Capita ⁽¹⁾
	General Obligation	Literary	General Obligation	Note	Capital	General Obligation	General Obligation	Public Utility Revenue	Capital			
	Bonds	Bonds	Notes	Payable	Leases	Bonds	Notes	Bonds	Leases			
2000	\$ 39,866	\$ 400	\$ 3,345	\$ -	\$ 2,783	\$ 54,707	\$ -	\$ 56,266	\$ 77	\$ 157,444	9.81%	\$ 2,412
2001	42,519	341	3,345	-	2,595	55,521	-	57,500	-	161,821	9.71%	2,474
2002	71,901	283	9,290	-	2,397	63,499	-	56,096	-	203,466	11.93%	3,092
2003	85,006	225	610	-	2,187	64,141	-	52,973	-	205,142	11.70%	3,089
2004	100,251	166	7,500	3,200	8,396	66,896	-	59,152	-	245,561	13.29%	3,660
2005	93,990	127	7,500	3,200	7,747	61,935	-	63,526	-	238,025	12.31%	3,513
2006	116,709	87	-	3,200	7,287	57,532	16,500	70,543	-	271,858	13.08%	3,964
2007	108,593	68	-	3,020	6,810	52,295	16,500	74,985	-	262,271	12.06%	3,744
2008	117,407	49	1,343	2,840	6,316	63,550	-	84,426	-	275,931	12.24%	3,901
2009	112,011	30	7,500	2,660	5,804	56,831	4,000	100,328	-	289,164	12.83%	4,088

Source: Director of Financial Services, City of Lynchburg, Virginia.

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

The City of Lynchburg is autonomous and entirely independent of any county or any other political subdivision of the Commonwealth of Virginia.

Therefore, there is no direct and no overlapping debt related to governmental activities.

(1) See Table 22 for population and per capita personal income information. For FY 2009, the FY 2008 amount for per capita personal income of \$31,862 was utilized to calculate the Percentage of Personal Income.

**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING,
LAST TEN FISCAL YEARS**

(dollars in thousands, except per capita)

Fiscal Year	Population (1)	Assessed Valuation (in thousands)	Gross Bonded Debt (2)	Debt Payable From Enterprise Revenues (2)	Net Bonded Debt	Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
2000	\$ 65,269	\$ 3,166,143	\$ 126,725	\$ 54,707	\$ 72,018	2.27%	\$ 1,103
2001	65,400	3,250,445	134,592	55,521	79,071	2.43%	1,209
2002	65,800	3,466,111	144,973	63,499	81,474	2.35%	1,238
2003	66,400	3,604,279	149,981	64,140	85,841	2.38%	1,293
2004	67,100	3,915,725	174,813	66,896	107,917	2.76%	1,608
2005	67,756	3,954,923	163,552	61,935	101,617	2.57%	1,500
2006	68,579	4,357,188	190,828	74,032	116,796	2.68%	1,703
2007	70,056	4,501,102	177,456	68,795	108,661	2.41%	1,551
2008	70,734	5,330,939 (3)	182,350	63,550	118,800	2.23%	1,680
2009	70,734	5,382,586 (4)	180,372	60,831	119,541	2.22%	1,690

Source: Director of Financial Services, City of Lynchburg, Virginia.

(1) Data from the Weldon Cooper Center for Public Service, University of Virginia, Charlottesville, Virginia, for 2001-2007 Final Estimates, and 2008 Provisional Estimates; and United States Bureau of the Census 2000. The 2009 population is an estimate based on 2008.

(2) Excludes City of Lynchburg Public Utility Revenue Bonds.

(3) These figures have been updated to reflect all billings associated with the personal property tax levy.

(4) These figures only reflect two of the four billings associated with the personal property tax levy.

These figures will be updated in FY 2010 to reflect all four billings.

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

**LEGAL DEBT MARGIN INFORMATION,
LAST TEN FISCAL YEARS**

(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2009

Real Property Assessed Value	\$ 4,622,237
Public Service Corporations Real Property Assessed Value	160,599
Total Real Property Assessed Value (1)	<u>4,782,836</u>
Debt limit (10% of assessed value)	478,284
Debt applicable to limit:	
Less: General Obligation Debt	(180,372)
Legal Debt Margin	<u><u>\$ 297,912</u></u>

Description	Fiscal Years									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	\$ 259,682	\$ 264,398	\$ 290,687	\$ 301,016	\$ 330,240	\$ 338,155	\$ 372,512	\$ 383,509	\$ 462,181	\$ 478,284
Total net debt applicable to limit (2)	<u>126,725</u>	<u>134,592</u>	<u>144,973</u>	<u>149,981</u>	<u>174,813</u>	<u>163,552</u>	<u>190,828</u>	<u>177,456</u>	<u>182,350</u>	<u>180,372</u>
Legal debt margin	<u><u>\$ 132,957</u></u>	<u><u>\$ 129,806</u></u>	<u><u>\$ 145,713</u></u>	<u><u>\$ 151,036</u></u>	<u><u>\$ 155,427</u></u>	<u><u>\$ 174,603</u></u>	<u><u>\$ 181,684</u></u>	<u><u>\$ 206,053</u></u>	<u><u>\$ 279,831</u></u>	<u><u>\$ 297,912</u></u>
Total net debt applicable to the limit as a percentage of the debt limit	48.80%	50.91%	49.87%	49.82%	52.94%	48.37%	51.23%	46.27%	39.45%	37.71%

Source: Director of Financial Services, City of Lynchburg, Virginia.

(1) See Table 14 for Real Property Assessed Value information.

(2) For fiscal years 2000 through 2005, the total net debt applicable to limit amounts were revised to include bond anticipation notes.

Note: The Constitution of Virginia, Article 7, Section 10(a) sets forth the City's legal debt limit at ten percent (10%) of its assessed valuation of real estate subject to taxation for the City's issuance of any bonds or other interest-bearing obligations. In August 1999, City Council adopted a Debt Management Policy that limits tax-supported debt to five percent (5%) of its assessed valuation of real estate subject to taxation. In December 2006, City Council amended the Debt Management Policy that limits tax-supported debt to four and a half percent (4.5%) of its assessed valuation of real estate subject to taxation.

**PLEDGED REVENUE COVERAGE
LAST NINE FISCAL YEARS**

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sewer Fund Operating Income	\$ 3,829,393	\$ 3,768,131	\$ 4,139,855	\$ 3,648,632	\$ 4,785,102	\$ 4,911,070	\$ 5,321,833	\$ 5,446,519	\$ 4,388,069
Plus:									
Depreciation & amortization	2,611,577	3,156,787	3,312,342	3,662,382	3,777,969	3,954,820	4,108,561	4,296,493	4,430,958
Interest income received	278,053	421,275	55,615	200,511	248,236	456,342	858,384	691,799	363,942
Capital contributions from members									
Regional Sewerage Treatment Plant	284,411	597,353	785,015	272,336	383,901	384,746	385,623	386,530	394,761
Governmental grants & miscellaneous income	133,185	46,229	178,541	142,053	43,657	67,683	45,058	44,300	296,443
Net Revenue per Indenture (1)	\$ 7,136,619	\$ 7,989,775	\$ 8,471,368	\$ 7,925,914	\$ 9,238,865	\$ 9,774,661	\$ 10,719,459	\$ 10,865,641	\$ 9,874,173
Debt Service									
General obligation bonds									
Principal (2)	\$ 2,047,307	\$ 879,291	\$ 2,007,725	\$ 1,775,308	\$ 2,217,270	\$ 2,210,090	\$ 2,386,638	\$ 4,207,969	\$ 1,810,056
Interest	787,250	1,530,736	1,406,731	1,319,116	1,415,544	1,204,587	1,445,911	1,411,626	1,233,745
Total	2,834,557	2,410,027	3,414,456	3,094,424	3,632,814	3,414,677	3,832,549	5,619,595	3,043,801
Revenue bonds									
Principal	2,365,769	3,803,884	3,109,085	2,320,353	2,391,300	2,433,438	2,557,922	2,909,118	3,097,845
Interest	769,652	486,109	515,368	541,101	773,675	537,820	455,333	427,360	398,518
Total	3,135,421	4,289,993	3,624,453	2,861,454	3,164,975	2,971,258	3,013,255	3,336,478	3,496,363
Total Debt Service Principal and Interest	\$ 5,969,978	\$ 6,700,020	\$ 7,038,909	\$ 5,955,878	\$ 6,797,789	\$ 6,385,935	\$ 6,845,804	\$ 8,956,073	\$ 6,540,164
Debt Coverage	1.20	1.19	1.20	1.33	1.36	1.53	1.57	1.21	1.51

(1) In August 1994, the Virginia Department of Environmental Quality (DEQ) issued the City a discharge permit and a special Consent Order which established a compliance schedule and project priorities for implementation of a Combined Sewer Overflow (CSO) Control Plan. The compliance schedule does not contain fixed dates for implementing the CSO Control Plan, but rather provides for implementation that reflects the City's financial capability. The debt coverage calculation above is utilized to determine the City's financial capability for Consent Order compliance based on a minimum debt coverage ratio of 1.2.

(2) For FY 2008 General obligation bond principal payments exclude \$6,500,000 from an August 2, 2007 current refunding bond issue that permanently financed the May 9, 2006 General obligation bond anticipation notes (BANS).

**DEMOGRAPHIC AND ECONOMIC STATISTICS,
LAST TEN CALENDAR YEARS**

Fiscal Year	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (3)	Median Age (4)	School Enrollment (5)	Unemployment Rate (6)
2000	65,269	1,604,247	24,578	35.1	9,296	2.1
2001	65,400	1,646,576	25,484	35.1	9,212	4.5
2002	65,800	1,672,768	25,930	35.1	9,063	6.2
2003	66,400	1,739,215	26,400	35.1	8,955	6.1
2004	67,100	1,804,990	27,532	35.1	8,775	5.6
2005	67,756	1,871,827	28,537	35.1	8,620	5.2
2006	68,579	2,078,629	30,310	35.1	8,614	4.0
2007	70,056	2,175,589	31,055	35.1	8,622	4.3
2008	70,734	2,253,727	31,862	35.1	8,414	5.6
2009	70,734	*	*	35.1	8,655	9.2

Source: Director of Financial Services, City of Lynchburg, Virginia.

- (1) Weldon Cooper Center for Public Service, University of Virginia www.coopercenter.org
 Figures given are the final estimate for that year. Since the estimate for the current fiscal year is not available at this time, the prior year data is given.
- (2) U.S. Department of Commerce, Economic and Statistic Administration, Bureau of Economic Analysis
- (3) U.S. Department of Commerce, Economic and Statistic Administration, Bureau of Economic Analysis
 Report AMSA04 - Advanced Metropolitan Statistical Area Income Summary www.bea.gov/regional/reis/
- (4) United States Census - 2000
- (5) Virginia Department of Education reported by Lynchburg City Schools. Enrollment as of September 30 for each year present. These figures were previously reported based on preliminary information provided by Lynchburg City Schools and have been updated with the information available from the Virginia Department of Education. The figures given are as of September 30 of the prior year.
- (6) Virginia Employment Commission & U.S. Department of Labor, Bureau of Labor Statistics, as of June 2009.

* FY 2009 information unavailable

**PRINCIPAL EMPLOYERS ,
CURRENT YEAR AND NINE YEARS AGO**

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Centra Health, Inc.	5,700	1	15.93%	3,800	1	12.27%
Thomas Road Baptist Church,						
Liberty University	3,321	2	9.28%	1,000	9	3.23%
Areva (2)	2,046	3	5.72%	1,400	7	4.52%
Genworth Financial Inc. (1)	1,600	4	4.47%	1,554	6	5.02%
City of Lynchburg	1,521	5	4.25%	1,150	8	3.71%
Lynchburg City Schools	1,410	6	3.94%	1,607	3	5.19%
J. Crew Outfitters	1,000	7	2.80%	1,000	10	3.23%
Lynchburg College	598	8	1.67%			0.00%
Kroger	562	9	1.57%			0.00%
Walmart	545	10	1.52%			0.00%
BWX Technologies				1,940	2	6.26%
Central Virginia Training Center				1,600	4	5.17%
Sanmina (3)				1,600	5	5.17%
Total	18,303			16,651		

Employed Civilian Labor Force (June 2009) Lynchburg City - Virginia Employment Commission 35,773

Employed Civilian Labor Force (June 2000) Lynchburg City - Virginia Employment Commission 30,966

Source: FY 2009 numbers are derived from Office of Economic Development,
City of Lynchburg, Virginia as of March 31, 2009.

Source: FY 2000 numbers are derived from Official Statement for bond issue August 1, 2001.

(1) Formerly First Colony Life Insurance Co.

(2) Formerly Framatome

(3) Formerly Ericsson

CITY OF LYNCHBURG

TABLE 24

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Functions/Programs	Full-time-Equivalent Employees as of June 30									
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Adopted
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 ⁽¹⁾
Primary government:										
General Government Administration										
Council Manager Offices	8	11	10	8	8	8	7	9	8	8
City Assessor	11	11	11	11	11	13	13	12	12	12
City Attorney	6	6	7	7	7	7	7	7	7	7
Commissioner of Revenue	14	14	14	14	15	16	16	16	15	15
Communications & Marketing	3	3	3	3	3	3	3	3	3	4
Local Government Channel	-	-	-	-	-	-	-	-	2	2
Customer Service	3	3	3	3	3	4	2	2	4	4
Financial Services	47	48	48	49	51	50	49	49	47	46
Financial Services-Human Services	0	0	0	0	-	-	-	12	12	12
Human Resources	9	9	10	10	10	12	11	12	13	12
Information Technology	13	21	22	23	25	27	28	28	28	29
Internal Audit	3	3	3	3	3	3	3	2	2	2
Registrar and Electoral Board	2	2	2	2	2	3	3	3	3	3
State Treasurer (State)	3	3	3	3	3	2	2	2	2	2
Risk Management Fund	3	3	3	3	3	3	3	3	3	3
Judicial Administration										
Circuit Court Clerk (State)	13	13	13	13	13	13	13	13	13	13
Circuit Court Judges	2	2	2	2	2	2	2	2	2	2
Commonwealth Attorney	14	27	21	34	37	36	35	14	16	16
Sheriff	28	27	27	27	27	31	31	31	31	31
Regional Juvenile Detention Center Fund	49	50	50	51	51	51	48	50	50	50
Public Safety										
Police Department	170	181	187	190	192	199	200	198	207	207
Emergency Communications	30	30	30	31	31	31	31	31	31	32
Fire Department	185	184	182	183	182	183	180	180	185	186
Public Works										
Public Works Administration	4	8	7	7	6	6	6	0	0	11
Buildings & Grounds Maintenance	78	76	76	78	78	98	92	88	88	83
Engineering Division ⁽²⁾	29	28	38	31	31	36	35	0	0	0
Geographic Information System	0	0	0	3	3	3	3	0	0	0
Street, Traffic & Refuse Maintenance ⁽³⁾	51	50	40	40	40	42	42	36	38	57
Health & Human Services	180	187	178	192	186	178	181	188	188	187
Cultural and recreational	77	80	93	83	83	97	101	102	101	103
Community Planning & Economic Development ⁽²⁾	46	33	31	35	36	38	38	78	77	84
Fleet Services Fund	0	0	14	13	13	13	13	13	12	12
Business-type activities:										
Airport Fund	N/A	21	20	20	20	21	18	21	21	20
Water Fund	54	54	58	57	61	60	64	65	68	68
Sewer Fund	50	50	45	43	44	47	47	47	46	47
Solid Waste Fund ⁽⁴⁾	44	43	43	42	42	42	46	43	43	-
Source: Budget Office, City of Lynchburg, Virginia	1,229	1,281	1,293	1,314	1,322	1,378	1,373	1,360	1,378	1,370

(1) FY 2009 actual will be available with the FY 2010 adopted budget.

(2) During FY 2007 the Engineering Division was moved to Community Planning & Economic Development.

(3) Refuse Collection was moved to Public Works Division

(4) Solid Waste Fund Closed July 1, 2008

**OPERATING INDICATORS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS**

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Physical Arrests	4,957	7,403	7,563	6,295	6,449	6,717	6,996	6,634	6,813	6,662
Traffic Violations	16,395	12,496	15,190	8,759	9,628	11,477	10,926	10,634	11,327	14,489
Parking Violations	9,440	8,519	9,930	8,113	7,308	6,806	6,306	7,741	7,786	6,370
Fire										
Number of calls answered (per month) (1)	504 (est)	528 (est)	602 (est)	619(est)	227 (est)	328 (est)	463 (est)	501	517	506
Number of inspections conducted (4)	1,250	1,436	1,425	1,430	1,280	1,089	293	253	368	641
EMS calls	N/A	N/A	11,864	14,552	12,197	12,782	13,032	13,764	14,660	15,279
Sanitation and Refuse										
Refuse collected (tons/day) (2)	33.05	58.05	57.79	59.95	62.30	66.45	70.74	72.22	69.68	69.03
Recyclables collected (tons/day)	9.21	6.81	19.13	8.43	7.60	6.42	5.34	5.34	6.73	7.45
Airport										
Total number of passengers	167,060	151,003	107,455	92,779	109,940	128,811	124,093	115,560	98,423	142,569
Sewage										
Number of service connections	17,100	17,300	17,300	17,500	17,595	17,768	18,179	18,310	18,486	18,549
Average daily treatment in million gallons (3)	13.25	12.74	10.96	14.27	13.90	12.60	12.20	12.35	10.86	10.68
Maximum daily average capacity of treatment plant in million gallons	22	22	22	22	22	22	22	22	22	22
Maximum daily capacity of treatment plant in million gallons	44	44	44	44	44	44	44	44	44	44
Water										
Number of service connections	21,275	21,386	21,386	21,586	21,341	21,522	21,930	22,044	22,158	22,290
Average daily consumption of plant in million gallons	12	12	12	11	11	11	11	10	12	11
Maximum daily capacity of plant in million gallons	26	26	26	26	26	26	26	26	26	26

Source: City Departments, City of Lynchburg, Virginia

(1) Fire calls only, not EMS

(2) The numbers stated for FY 2001-2006 differ from those previously reported and reflect the actual data based on the information provided by the Public Works Department.

(3) The numbers stated for FY 1999-2007 differ from those previously reported and reflect the actual data based on the information provided by the Regional Wastewater Treatment Plant.

(4) Fire had additional personnel conducting inspections for this fiscal year (08/09)

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	43	45	45	53	53	53	54	55	57	57
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection Trucks	11	12	14	14	15	15	16	16	16	16
Highways and Streets										
Street (miles) (1)	360.00	312.00	314.00	365.95	368.23	372.23	373.28	374.42	374.42	377.37
Streetlights (2)	9,334	9,444	9,520	9,590	9,672	9,747	9,822	9,899	9,926	9,990
Traffic signals	108	110	110	110	110	113	117	117	118	119
Culture and Recreation										
Community centers	7	7	7	7	7	7	7	7	7	7
Senior centers	-	-	-	-	-	1	1	1	1	1
Parks	12	12	16	16	16	17	17	17	17	17
Parks acreage (3)	831.5	835	835	835	835	838	848	848	905	905
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts (4)	40	40	40	40	40	40	40	40	40	40
Gymnasiums	5	7	7	7	7	7	7	7	7	7
Sewage system										
Storm sewers (miles) (5)	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped	not mapped
Water										
Fire hydrants	2,274	2,274	2,274	2,324	2,451	2,788	2,799	2,800	2,887	2,892
Storage capacity (thousands of gallons)	not specified	not specified	not specified	not specified	not specified	not specified	33,000	33,000	33,000	31,000
Sewer										
Average daily sewage treatment (MGD) (6)	13.25	12.74	10.96	14.27	13.90	12.60	12.20	12.35	10.86	10.68
Maximum daily sewage treatment (MGD)	29.90	28.73	34.62	36.85	28.28	27.11	27.11	33.44	26.37	28.65
Transit - route service buses (7)	29	29	29	29	29	29	29	29	37	37
Transit - paratransit service buses (8)	-	-	-	-	-	-	-	-	7	11
Facility and service not included in the reporting entity:										
Education										
Number of elementary schools (9)	12	12	11	10	11	11	11	11	11	11
Number of secondary schools	5	5	5	5	5	5	5	5	5	5
Number of community colleges	1	1	1	1	1	1	1	1	1	1
Number of universities or colleges	4	4	4	4	4	4	4	4	4	4
Hospitals										
Number of hospitals	2	2	2	2	2	2	2	2	2	2
Number of patient beds	788	769	636	554	554	554	587	587	575	575

Source: City Departments, City of Lynchburg, Virginia

- (1) The numbers stated for FY 2003-2006 differ from previously reported and reflect the actual data based on the information provided by Public Works Department.
- (2) The numbers stated for FY 2002-2006 differ from previously reported and reflect the actual data reported by American Electric Power.
- (3) Including Blackwater Creek Natural Area.
- (4) 10 locations with a total of 40 courts - including schools.
- (5) Mapping is under development. Complete information is not available.
- (6) The numbers stated for FY 1999-2007 differ from previously reported and reflect the actual data based on the information provided by the Regional Wastewater Treatment Plant.
- (7) The increase in the number of route service buses is due to additional route covered according to the agreement with Liberty University.
- (8) GLTC purchased new paratransit buses to better serve the elderly population.
- (9) Kizer Elementary School used for Special Education, therefore, excluded from total number of elementary schools for reporting purposes.

TABLE 27

**CITY OF LYNCHBURG, VIRGINIA
LYNCHBURG CITY SCHOOLS
STUDENT ENROLLMENT, EMPLOYEES AND SCHOOLS BY FISCAL YEAR
LAST TEN YEARS**

<u>Description</u>	<u>Student Enrollment, Employees and Schools by Fiscal Year</u>									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Elementary School Membership	4,366	4,230	4,049	3,968	3,910	3,840	3,793	3,877	3,916	3,934
Secondary School Membership	4,930	4,982	5,015	4,987	4,872	4,785	4,809	4,745	4,447	4,438
Total Membership	9,296	9,212	9,064	8,955	8,782	8,625	8,602	8,622	8,363	8,372
Teachers and Administrators (1)	798	811	807	782	762	753	776	772	774	780
Other Employees	490	475	494	474	467	471	470	482	482	482
Total Employees	1,288	1,286	1,301	1,256	1,229	1,224	1,246	1,254	1,256	1,262
Elementary Schools (2)	12	12	12	11	11	11	11	11	11	11
Secondary Schools	5	5	5	5	5	5	5	5	5	5
Total Buildings	17	17	17	16	16	16	16	16	16	16

(1) Includes only full-time equivalent positions funded through the operating budget.

(2) Does not include Armstrong, now being used for special education students.

**Actual Average Daily Student Enrollment by Grade & Fiscal Year
(Based on September 30th Actual Enrollment)**

<u>Grade</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
K	769	669	655	674	700	666	670	722	732	718
1	696	755	661	628	651	628	655	675	673	702
2	764	685	716	664	608	647	634	629	648	648
3	702	719	649	689	641	583	628	629	653	632
4	729	693	695	633	690	630	593	625	606	639
5	706	709	673	680	620	686	613	597	604	595
6	746	713	729	686	689	658	707	618	613	598
7	704	719	707	697	661	680	664	694	581	619
8	740	705	730	737	697	660	687	662	625	581
9	895	825	869	904	856	857	823	867	777	706
10	665	790	757	730	740	772	726	661	647	719
11	579	627	666	676	656	627	669	621	654	619
12	601	603	557	557	573	531	533	622	550	596
Total	9,296	9,212	9,064	8,955	8,782	8,625	8,602	8,622	8,363	8,372

Source: Superintendent of Schools, City of Lynchburg, Virginia.

COMPLIANCE SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of the City Council and the City Manager
City of Lynchburg, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lynchburg, Virginia, as of and for the year ended June 30, 2009 which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

The City's financial statements include the discretely presented component unit referred to as the Business Development Centre, Inc. Our audit did not include the operations of this component unit because it engaged other auditors to perform its audit.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 09-1, 09-2, 09-3, and 09-4 to be significant deficiencies in internal control over financial reporting.**

Internal Control over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. **However, of the significant deficiencies described above, we consider Item 09-3 to be a material weakness.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as Items 09-5 and 09-6.**

We noted certain matters that we reported to management of the City in a separate letter dated November 13, 2009.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, others within the City, state and federal awarding agencies, pass-through entities, and City Council. It is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 13, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Members of the City Council and the City Manager
City of Lynchburg, Virginia

Compliance

We have audited the compliance of the City of Lynchburg Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the discretely presented component unit referred to as the Business Development Centre, Inc., which received \$517,228 in federal awards that is not included in the schedule during the year ended June 30, 2009. Our audit, described below, did not include the operations of the Centre because the component unit engaged other auditors to perform an audit in accordance with *OMB Circular A-133*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

This report is intended solely for the information and use of the audit committee, management, others within the City, federal awarding agencies and pass-through entities, and City Council and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 13, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER
FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE PASSENGER FACILITY CHARGE PROGRAM AUDIT GUIDE**

To the Members of the City Council and the City Manager
City of Lynchburg, Virginia

Compliance

We have audited the compliance of the City of Lynchburg, Virginia with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, for its passenger facility program (the "Program") for the year ended June 30, 2009. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2009.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to the Program. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on the Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Internal Control over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of the Program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer the Program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of the Program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of the Program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

This report is intended solely for the information and use of the audit committee, management, others within the City, the Federal Aviation Administration, and City Council. It is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 13, 2009

CITY OF LYNCHBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2009

As more fully described in the compliance reports on pages 131 through 136, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Comprehensive Services Act
Uniform Disposition of Unclaimed Property Act
Sheriff Internal Controls

State Agency Requirements

Education
Social Services
Urban Highway Maintenance

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

FEDERAL AVIATION ADMINISTRATION COMPLIANCE MATTERS

Passenger Facility Charge Audit Guide for Public Agencies

Requirements of laws and regulations required by the Federal Aviation Administration in relation to passenger facility charges.

CITY OF LYNCHBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **Four significant deficiencies** relating to the audit of the financial statements were reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. **Item 09-3 was determined to be a material weakness.**
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The major programs of the City are:

<u>Name of Program</u>	<u>CFDA #</u>
Temporary Assistance for Needy Families (TANF) Block Grant	93.558
Community Development Block Grant Program, Entitlement Grant	14.218
National School Breakfast Program	10.553
National School Lunch Program	10.555
Title VI-B Special Education	84.027
Special Education Preschool Grants	84.173
Child Care Assistance	93.575
Child Care Development Fund	93.596
Highway Planning and Construction	20.205
COPS Interoperability Grant	16.710
Title II – Part A Funds	84.367
Medical Assistance Program (Medicaid Title XIX)	93.778

8. The **threshold for** distinguishing Type A and B programs was **\$645,000**.
9. The City of Lynchburg was **not** determined to be a **low-risk auditee**.
10. Passenger Facility Charge Program:
 - a. Material weakness identified? No
 - b. Significant deficiency not considered to be a material weakness? None reported
 - c. Noncompliance material to the passenger facility charge program? No
 - d. Type of auditor's report on compliance for the program. Unqualified
 - e. Any audit findings disclosed. No

CITY OF LYNCHBURG, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

B. FINDINGS – FINANCIAL STATEMENT AUDIT

09-1: Auditor Adjustments – Schools (Significant Deficiency)

Condition:

We proposed a certain number of journal entries at the Schools which were significant to the financial statements, although fewer than in previous years.

Recommendation:

Management should take steps to ensure that all significant accounts are reconciled and properly adjusted. Monitoring of significant account balances should be a normal practice throughout the year.

Management's Response:

Management agrees with the recommendation. Significant improvements were made in the preparation and timeliness for the FY 2009 audit and continued improvements will be made for the FY 2010 audit.

09-2: Improperly Capitalized Assets (Significant Deficiency)

Condition:

Certain capital expenditures were erroneously included in capital additions in 2008 and 2009. These expenditures, while budgeted as capital in nature, were not eligible for capitalization.

Recommendation:

Management should review the appropriate asset listings during the year to ensure that only items meeting capitalization policies are included.

Management's Response:

Management agrees with recommendation. A quarterly review process has been implemented to discuss the status and nature of projects. During the quarterly meetings held with City project managers, information will be gathered to determine the projects meeting capitalization policies.

CITY OF LYNCHBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

09-3: Expense Accrual Misstatements (Material Weakness)

Condition:

We identified an unrecorded liability for the new early retirement benefit and an over accrual of self insurance claims liability.

Recommendation:

Management should review all new employment policies for financial reporting implications and review self insurance claims received subsequent to year end to ensure related liabilities are adequate but not excessive.

Management's Response:

Management agrees with the recommendation. A process has been implemented to review the liability for self insurance claims during third quarter, year end, and subsequent to year end to ensure the liability is adequately reflecting the claims outstanding. A process is in place to review City Council minutes for new appropriations, changes in policies, and the creation of new policies.

09-4: Unrecorded Insurance Recovery Receivables (Significant Deficiency)

Condition:

Certain insurance recoveries claimed prior to year end were not recorded as receivables.

Recommendation:

Insurance claims should be evaluated as to their likelihood of approval and included as a receivable at the time the claim is made.

Management's Response:

Management agrees with the recommendation. Risk Management will notify Finance of all significant claims filed. Additionally, during the quarterly meetings with the City project managers, information concerning claims filed will be obtained.

C. FINDINGS AND QUESTIONED COSTS – PASSENGER FACILITY CHARGE PROGRAM

None.

CITY OF LYNCHBURG, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

E. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

09-5: Timely Disclosure Statement Submission – Schools

Condition:

Two out of nine members of School appointed boards did not file the official disclosure statement by the January 15 deadline as set forth by the *Code of Virginia*.

Recommendation:

Steps should be taken to ensure that these statements are filed in a timely manner.

Management's Response:

Management recognizes the importance of filing the disclosure statements in a timely manner. Procedures are in place to send out an initial notification, first reminder notice and second reminder notice. Failure to respond to the notices results in phone calls to the individuals until the disclosure statements are filed.

09-6: Virginia Retirement System – Contribution Rate

Condition:

An incorrect contribution rate was used for the monthly VRS contribution reporting for the month of September 2008. This error was corrected in subsequent months.

Recommendation:

Management should ensure that correct contribution rates are used.

Management's Response:

Management agrees with the recommendation. A review process has been implemented to ensure that the correct contribution rate is used.